No. 15-446

Title:	Cuozzo Speed Technologies, LLC, Petitioner v. Michelle K. Lee, Under Secretary of Commerce for Intellectual Property and Director, Patent and Trademark Office
Docketed:	October 8, 2015
Lower Ct:	United States Court of Appeals for the Federal Circuit
Case Nos.:	(2014-1301)
Decision Date:	July 8, 2015

Questions Presented

---Date---	-------Proceedings and Orders----------
Oct 6 2015	Petition for a writ of certiorari filed. (Response due November 9, 2015)
Oct 20 2015	Consent to the filing of amicus curiae briefs, in support of either party or of neither party, received from counsel for the petitioner.
Nov 6 2015	Order extending time to file response to petition to and including December 9, 2015.
Nov 9 2015	Consent to the filing of amicus curiae briefs, in support of either party or of neither party, received from counsel for the United States.
Nov 9 2015	Brief amici curiae of 3M Company, et al. filed.
Nov 9 2015	Brief amicus curiae of American Intellectual Property Law Association filed.
Nov 9 2015	Brief amicus curiae of Biotechnology Industry Organization filed.
Nov 9 2015	Brief amicus curiae of The Pharmaceutical Research and Manufacturers of America filed.
Nov 9 2015	Brief amicus curiae of Intellectual Property Owners Association filed.
Nov 9 2015	Brief amicus curiae of The Intellectual Property Law Association of Chicago filed.
Nov 9 2015	Brief amicus curiae of New York Intellectual Property Law Association filed.
Nov 9 2015	Brief amici curiae of Interdigital, Inc., Tessera Technologies, Inc., and Fallbrook Technologies, Inc. filed.
Nov 9 2015	Brief amicus curiae of Trading Technologies International, Inc. filed.
Dec 4 2015	Order further extending time to file response to petition to and including December 11, 2015.
Dec 11 2015	Brief of respondent Michelle K. Lee, Under Secretary of Commerce for Intellectual Property and Director, Patent and Trademark Office in opposition filed.
Dec 18 2015	Reply of petitioner Cuozzo Speed Technologies, LLC filed.
Dec 22 2015	DISTRIBUTED for Conference of January 8, 2016.
Jan 11 2016	DISTRIBUTED for Conference of January 15, 2016.
Jan 15 2016	Petition GRANTED.
Feb 3 2016	Consent to the filing of amicus curiae briefs, in support of either party or of neither party, received from counsel for the petitioner.
Feb 22 2016	Brief of petitioner Cuozzo Speed Technologies, LLC filed.

Feb 22 2016	Motion to dispense with printing the joint appendix filed by petitioner Cuozzo Speed Technologies, LLC.
Feb 25 2016	Brief amicus curiae of New York Intellectual Property Law Association filed.
Feb 29 2016	Brief amici curiae of 3M Company, et al. filed.
Feb 29 2016	Brief amicus curiae of SightSound Technologies, LLC filed.
Feb 29 2016	Brief amicus curiae of Pharmaceutical Research and Manufacturers of America filed.
Feb 29 2016	Brief amicus curiae of Intellectual Ventures Management, LLC filed.
Feb 29 2016	Brief amici curiae of Patent-Practicing Technology Innovators filed.
Feb 29 2016	Brief amici curiae of InterDigital, Inc., Tessera Technologies, Inc., et al. filed.
Feb 29 2016	Brief amicus curiae of Paul R. Michel in support of neither party filed.
Feb 29 2016	Brief amicus curiae of Medtronic, Inc. in support of neither party filed.
Feb 29 2016	Brief amici curiae of Biotechnology Innovation Organization, et al. filed.
Feb 29 2016	Brief amicus curiae of Federal Circuit Bar Association filed.
Feb 29 2016	Brief amicus curiae of the Association of the Bar of the City of New York filed.
Feb 29 2016	Brief amicus curiae of Mitchell Hamline School of Law Intellectual Property Institute filed.
Feb 29 2016	Brief amici curiae of Law Professors Gregory Dolin, et al. filed.
Feb 29 2016	Brief amicus curiae of National Association of Patent Practitioners, Inc. filed.
Mar 4 2016	SET FOR ARGUMENT ON Monday, April 25, 2016
Mar 7 2016	Motion to dispense with printing the joint appendix filed by petitioner GRANTED.
Mar 7 2016	Brief amicus curiae of The Intellectual Property Law Association of Chicago in support of neither party filed.
Mar 7 2016	Brief amicus curiae of International Business Machines Corporation in support of neither party filed.
Mar 7 2016	Brief amici curiae of Microsoft Corporation and Professors Vincent Chiappetta and Lee A. Hollaar in support of neither party filed.
Mar 7 2016	Brief amicus curiae of Intellectual Property Owners Association in support of neither party filed.
Mar 7 2016	Brief amicus curiae of American Intellectual Property Law Association in support of neither party filed.
Mar 7 2016	Brief amicus curiae of Licensing Executives Society (USA. and Canada), Inc. in support of neither party filed.
Mar 14 2016	Record requested from the U.S.C.A. Federal Circuit.
Mar 15 2016	CIRCULATED.
Mar 15 2016	Record received from the U.S.C.A. Federal Circuit is electronic and located on PACER.
Mar 23 2016	Record received from the U.S. Patent and Trademark Office is electronic.
Mar 23 2016	Brief of respondent Michelle K. Lee, Under Secretary of Commerce for Intellectual Property and Director, Patent and Trademark Office filed. (Distributed)
Mar 29 2016	Brief amicus curiae of Public Knowledge filed. (Distributed)
Mar 30 2016	Brief amici curiae of CME Group, Inc., et al. filed. (Distributed)
Mar 30 2016	Brief amici curiae of Generic Pharmaceutical Association, et al. filed. (Distributed)
Mar 30 2016	Brief amici curiae of Dell, et al. filed. (Distributed)
Mar 30 2016	Brief amicus curiae of EMC Corporation filed. (Distributed)
Mar 30 2016	Brief amicus curiae of Apple, Inc. filed. (Distributed)
Mar 30 2016	Brief amici curiae of The American Bankers Association, et al. filed. (Distributed)
Mar 30 2016	Brief amicus curiae of AARP filed. (Distributed)
Mar 30 2016	Brief amicus curiae of Mylan Pharmaceuticals Inc. filed. (Distributed)
Mar 30 2016	Brief amicus curiae of Unified Patents Inc. filed. (Distributed)

Apr 15 2016	Reply of petitioner Cuozzo Speed Technologies, LLC filed. (Distributed)
Apr 25 2016	Argued. For petitioner: Garrard R. Beeney, New York, N. Y. For respondent: Curtis E. Gannon, Assistant to the Solicitor General, Department of Justice, Washington, D. C.
Jun 20 2016	Adjudged to be AFFIRMED. Breyer, J., delivered the opinion for a unanimous Court with respect to Parts I and III, and the opinion of the Court with respect to Part II, in which Roberts, C. J., and Kennedy, Thomas, Ginsburg, and Kagan, JJ., joined. Thomas, J., filed a concurring opinion. Alito, J., filed an opinion concurring in part and dissenting in part, in which Sotomayor, J., joined.
Jul 22 2016	JUDGMENT ISSUED

15-446

SUPREME COURT, U.S.
FILED
OCT - 6 2015
OFFICE OF THE CLERK

No.

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

In 2011, Congress enacted the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, which established a new post-grant adjudicatory process for challenges to the validity of patents. The Act created a body within the Patent and Trademark Office, called the Patent Trial and Appeal Board (Board), to hear those challenges as a quick and cost-effective alternative to litigation. One of the new types of adjudicative proceedings, *inter partes* review (IPR), has been both unexpectedly popular and surprisingly lethal. Since the inception of IPR, patent challengers have filed over 3,400 petitions, and nearly 85% of the IPR proceedings to date have resulted in the cancellation of some or all claims in the patent under review.

A primary reason for the high cancellation rate is that, although IPR was expressly designed to be a surrogate for litigation, the Board does not use the same claim construction standard as federal courts. Rather than construe the claim in an issued patent according to its plain and ordinary meaning, as a federal court would be required to do, the Board gives the claim its broadest reasonable interpretation, which is a protocol used by examiners in reviewing patent applications. Of course, the broader the interpretation of the claim, the more extensive the array of relevant prior art—and in turn the more likely that the claim will be held invalid in light of that prior art. Consequently, the Board's broad interpretation allows for differing determinations of validity in IPR proceedings and litigation.

Over a dissent by Judge Newman, a divided panel of the Federal Circuit affirmed the Board's use of the broadest-reasonable-interpretation standard for claim construction. The panel majority also held that, even if the Board had exceeded its statutory authority in instituting an IPR proceeding in the first place, the Board's decision to institute was judicially unreviewable. The court of appeals denied rehearing by a vote of 6-5, over a joint dissent by Chief Judge Prost and Judges Newman, Moore, O'Malley, and Reyna, as well as a separate dissent by Judge Newman. The five dissenting judges addressed the merits of, and would have rejected, the Board's claim construction standard.

The questions presented are as follows:

1. Whether the court of appeals erred in holding that, in IPR proceedings, the Board may construe claims in an issued patent according to their broadest reasonable interpretation rather than their plain and ordinary meaning.

2. Whether the court of appeals erred in holding that, even if the Board exceeds its statutory authority in instituting an IPR proceeding, the Board's decision whether to institute an IPR proceeding is judicially unreviewable.

PARTIES TO THE PROCEEDINGS

Petitioner is Cuozzo Speed Technologies, LLC. Respondent is Michelle K. Lee, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, who intervened in the court of appeals to defend the decision of the Patent Trial and Appeal Board after Garmin International, Inc. and Garmin USA, Inc. reached a settlement with petitioner and withdrew from the case. Pursuant to Rule 12.6 of this Court, petitioner believes that Garmin International, Inc. and Garmin USA, Inc. have no interest in the outcome of this petition.

CORPORATE DISCLOSURE STATEMENT

Petitioner Cuozzo Speed Technologies, LLC has no parent corporation, and no publicly held company owns 10 percent or more of its stock.

TABLE OF CONTENTS

Page

Opinions below 1

Jurisdiction 1

Statutory and regulatory provisions involved 1

Statement 2

A. The America Invents Act 2

B. Proceedings before the Board 6

C. Proceedings before the Federal Circuit 7

Reasons for granting the petition 13

I. The decision below presents issues of exceptional importance. 14

A. Whether the Board applies the right claim construction standard is critical to the proper operation of the AIA and the patent system 14

B. Whether the Board may freely exceed its statutory authority in instituting IPR is likewise critical to the proper operation of the AIA and the patent system. 19

II. The decision below is incorrect. 23

A. The panel majority erred in holding that the Board may give patent claims their broadest reasonable interpretation, rather than their ordinary meaning. 23

1. The broadest-reasonable-interpretation protocol is an examination expedient justified by the applicant's liberal right to amend claims 23

2. Congress established an adjudicative proceeding with no right to amend. 25

3. The PTO's regulation is invalid. 27

B. The panel majority erred in holding that, even if the Board exceeds its statutory authority in instituting IPR, the Board's unlawful action is unreviewable. 28

III. This case is an ideal vehicle to resolve the divisions in the Federal Circuit. 32

Conclusion 34

Appendix A: Court of appeals amended opinion (July 8, 2015) 1a

Appendix B: Court of appeals order denying rehearing (July 8, 2015) 48a

Appendix C: Court of appeals opinions respecting the denial of rehearing (July 8, 2015) 50a

Appendix D: Court of appeals original opinion (Feb. 4, 2015) 68a

Appendix E: Final written decision of the Patent Trial and Appeal Board (Nov. 13, 2013) 109a

Appendix F: Decision of the Patent Trial and Appeal Board to initiate trial for inter partes review (Jan. 9, 2013) 168a

Appendix G: Relevant statutory and regulatory provisions 199a

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Page(s)

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No. 2014-1767, 2015 WL 5711943
(Fed. Cir. Sept. 30, 2015) 21, 22, 23

Bowen v. *Mich. Acad. of Family Physicians*,
476 U.S. 667 (1986) 30

Burlington Indus., Inc. v. *Quigg*,
822 F.2d 1581 (Fed. Cir. 1987) 24

Cmty. for Creative Non-Violence v. *Reid*,
490 U.S. 730 (1989) 11

Commil USA, LLC v. *Cisco Sys., Inc.*,
135 S. Ct. 1920 (2015) 14

Cooper Techs. Co. v. *Dudas*,
536 F.3d 1330 (Fed. Cir. 2008) 27

Google Inc. v. *Jongerius Panoramic Techs., LLC*,
IPR2013-00191, Paper No. 50 (Feb. 13, 2014) 26

Highmark Inc. v. *Allcare Health Mgmt. Sys., Inc.*,
134 S. Ct. 1744 (2014) 14

*In re Papst Licensing Digital Camera
Patent Litig.*,
778 F.3d 1255 (Fed. Cir. 2015) 15

In re Prater,
415 F.2d 1393 (C.C.P.A. 1969) 24, 25

In re Rambus, Inc.,
753 F.3d 1253 (Fed. Cir. 2014) 25

In re Skvorecz,
580 F.3d 1262 (Fed. Cir. 2009) 23, 24

Cases—Continued:

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984) 24

Innova/Pure Water, Inc. v. *Safari Water Filtration Sys., Inc.*,
381 F.3d 1111 (Fed. Cir. 2004) 14, 15

Kyocera Wireless Corp. v. *Int'l Trade Comm'n*,
545 F.3d 1340 (Fed. Cir. 2008) 19

Leedom v. *Kyne*,
358 U.S. 184 (1958) 31

Markman v. *Westview Instruments, Inc.*,
517 U.S. 370 (1996) 14, 18

Phillips v. *AWH Corp.*,
415 F.3d 1303 (Fed. Cir. 2005) ..... *passim*

SmithKline Diagnostics, Inc. v. *Helena Labs. Corp.*,
859 F.2d 878 (Fed. Cir. 1988) 19

Soc. Sec. Bd. v. *Nierotko*,
327 U.S. 358 (1946) 31

St. Jude Med., Cardiology Div., Inc. v. *Volcano Corp.*,
749 F.3d 1373 (Fed. Cir. 2014) 29

Teva Pharm. USA, Inc. v. *Sandoz, Inc.*,
135 S. Ct. 831 (2015) 15

Versata Dev. Grp., Inc. v. *SAP Am., Inc.*,
793 F.3d 1306 (Fed. Cir. 2015) 21, 22, 23, 31

Statutes and regulations:

19 U.S.C. 1337 19

28 U.S.C. 1254(1) 1

America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) ..... *passim*
§ 18(a)-(d), 125 Stat. at 329-331 20

Statutes and regulations:

Patent Act, 35 U.S.C. 1 *et seq.*:

35 U.S.C. 6(c) 5
35 U.S.C. 103 6
35 U.S.C. 112(b) 14
35 U.S.C. 141(c) 6, 14, 30, 31
35 U.S.C. 311-319 ..... *passim*
35 U.S.C. 321-329 ..... 20, 21

37 C.F.R.:

42.51 4
42.70 5
42.100(b) 9, 27
42.108 4
42.120 4
42.121(a) 5, 27

Miscellaneous:

H.R. Rep. No. 112–98, pt. 1 (2011) 3, 16, 26

Innovation Act, H.R. 9, 114th Cong. § 9(b)(2015) 33

Patent Act, S. 1137, 114th Cong. § 11(a)(4)(A)(vii) (2015) 33

STRONG Patents Act of 2015, S. 632, 114th Cong. § 102(a) (2015) 33

77 Fed. Reg. 48,724 (Aug. 14, 2012) 16

80 Fed. Reg. 50,722 (Aug. 20, 2015) 25

Brief in Opposition, *Highmark Inc.* v. *Allcare Health Mgmt. Sys. Inc.*, 134 S. Ct. 1744 (2014) (No. 12-1163) 33

Brief in Opposition, *Metro-Goldwyn-Mayer Studios Inc.* v. *Grokster, Ltd.*, 545 U.S. 913 (2005) (No. 04-480) 33

Miscellaneous—Continued:

Brief in Opposition, *Microsoft Corp.* v. *i4 Ltd. P'ship*, 131 S. Ct. 2238 (2011) (No. 10-290) 33

Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. Rev. 881 (2015) 17

Experts Unsure of Path Patent Reform Legislation Will Take, Commc'ns Daily, Sept. 8, 2015 33

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Petition for Rehearing En Banc, *Versata Dev. Grp., Inc.* v. *SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) (No. 2014-1194) 20, 22

U.S. Patent and Trademark Office, Manual of Patent Examining Procedure (9th ed., Mar. 2014) 24, 25

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U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics 8/31/2015, http://www.uspto.gov/sites/default/files/documents/2015-08-31%20PTAB.pdf.....16

PETITION FOR A WRIT OF CERTIORARI

Petitioner Cuozzo Speed Technologies, LLC respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The amended opinion of the court of appeals on rehearing (App., *infra*, 1a-47a) is reported at 793 F.3d 1268. The opinions respecting the court's denial of rehearing en banc (App., *infra*, 50a-67a) are reported at 793 F.3d 1297. The original opinion of the court of appeals (App., *infra*, 68a-108a) is reported at 778 F.3d 1271. The final decision of the Patent Trial and Appeal Board (App., *infra*, 109a-167a) is reported at 108 U.S.P.Q.2d 1852. The decision of the Patent and Trademark Office to initiate trial for *inter partes* review (App., *infra*, 168a-198a) is not reported but is available at 2013 WL 5947691.

JURISDICTION

The court of appeals entered its original judgment on February 4, 2015. The court issued an amended opinion, and denied the petition for rehearing (App., *infra*, 48a-49a), on July 8, 2015. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATUTORY AND REGULATORY PROVISIONS INVOLVED

The relevant statutory and regulatory provisions are reproduced in the appendix to this petition. App., *infra*, 199a-223a.

STATEMENT

A. The America Invents Act

1. In the early 2000s, several commentators criticized the Patent and Trademark Office (PTO) for issuing too many patents that were unlikely to be found valid upon review. See, *e.g.*, Mark A. Lemley & Bhaven Sampat, *Is the Patent Office a Rubber Stamp?*, 58 Emory L.J. 181, 181 (2008) ("A growing chorus of voices is sounding a common refrain: the U.S. Patent and Trademark Office (PTO) is issuing far too many bad patents."). Congress became increasingly concerned that the existence and continued issuance of bad patents were creating uncertainty in the marketplace and impeding innovation. See App., *infra*, 32a-33a (Newman, J., dissenting).

Parties also lacked a reasonably efficient way to challenge a patent's validity. A challenger could submit a request for *inter partes* reexamination to the PTO, and a patent examiner would then decide whether to initiate a reexamination proceeding. Such proceedings were relatively infrequent, however, because patent owners could amend and strengthen their claims, challengers were limited in any subsequent litigation, and the reexaminations themselves could be costly and time-consuming. See App., *infra*, 54a (joint dissent of Prost, C.J., and Newman, Moore, O'Malley, Reyna, JJ.). Challengers instead typically brought or responded to litigation, but that also could be expensive and slow. *Ibid.*; *id.* at 32a-33a (Newman, J., dissenting).

To address those issues, after six years of hearings and collaboration with a wide range of stakeholders, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011),

with the goal of improving the quality of patents and reducing unnecessary litigation costs. See H.R. Rep. No. 112-98, pt. 1, at 39-40 (2011). The cornerstone of the Act is its creation of a new type of adversarial proceeding before the PTO to decide patent validity. The new adjudicatory proceeding—called *inter partes* review or IPR—is meant to "provide a reliable early decision, by technology-trained patent-savvy adjudicators, with economies of time and cost." App., *infra*, 33a (Newman, J., dissenting).

The AIA replaced the former system of *inter partes* reexamination with this new adversarial proceeding. See H.R. Rep. No. 112–98, at 46-47 ("The Act converts *inter partes* reexamination from an examinational to an adjudicative proceeding, and renames the proceeding '*inter partes* review.'"). The AIA also formed a new body within the PTO, the Patent Trial and Appeal Board, to hear the challenges to patent validity. Congress's goal was to create "a completely new type of PTO proceeding," App., *infra*, 54a (joint dissent)—specifically, an "adversarial evidentiary proceeding in the PTO" that could "reliably resolve most issues of patent validity, without the expense and delay of district court litigation, and sometimes even before infringement has occurred," *id.* at 32a (Newman, J., dissenting).

2. Under the new IPR system, a person other than the patentee initiates a challenge to the validity of an existing patent by filing a petition with the PTO. See 35 U.S.C. 311(a). The petitioner may challenge patent claims "only on a ground that could be raised under [S]ection 102 [novelty] or 103 [obviousness] and only on the basis of prior art consisting of patents or printed publications." 35 U.S.C. 311(b). The petition must identify with particularity "the grounds on

which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." 35 U.S.C. 312(a)(3). The patentee then has "the right to file a preliminary response to the petition * * * that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter." 35 U.S.C. 313.

Within three months after the patentee's preliminary response is due, the Director of the PTO must decide whether to grant the petition and institute IPR. 35 U.S.C. 314(b).[1] Congress authorized the Director to institute IPR only upon "determin[ing] that the information presented in the petition * * * and any response * * * shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C. 314(a). The Director's decision whether to institute an IPR proceeding is "final and nonappealable." 35 U.S.C. 314(d).

If the Director decides to institute IPR, the case proceeds to discovery and trial. The patentee is permitted certain discovery of relevant evidence, including depositions of the petitioner's declarants. See 35 U.S.C. 316(a)(5); 37 C.F.R. 42.51. The patentee may also file a response to the petition, along with any supporting affidavits or declarations. See 35 U.S.C. 316(a)(8); 37 C.F.R. 42.120. If the patentee files a response, the petitioner is permitted certain discovery of relevant evidence, including depositions of the patentee's declarants, and may file a reply. See 35 U.S.C. 316(a)(5), (13); 37 C.F.R. 42.51. The trial is

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[1] The PTO's Director has delegated this responsibility to the Patent Trial and Appeal Board. See 37 C.F.R. 42.108.

then conducted by a panel of at least three administrative patent judges. See 35 U.S.C. 6(c), 316(c). Either party may request an oral hearing. See 35 U.S.C. 316(a)(10); 37 C.F.R. 42.70.

Unlike the former system of *inter partes* reexamination, *inter partes* review is not an examinational process. Patent examiners play no role, and the Board is not authorized to perform an examinational review, such as searching the prior art or formulating grounds of rejection. Rather, the IPR process is strictly adversarial and adjudicatory. In addition, unlike the liberal right to amend claims and iterative back-and-forth between patent owner and examiner in *inter partes* reexamination, IPR allows the patentee to make a single motion to amend, after conferring with the Board. See 35 U.S.C. 316(d)(1); 37 C.F.R. 42.121(a). The motion is presumptively limited to substituting one amended claim for one challenged claim, and the motion may be denied if the amendment "does not respond to a ground of unpatentability involved in the trial" or "seeks to enlarge the scope of the claims of the patent or introduce new subject matter." 37 C.F.R. 42.121(a).

Following the parties' evidentiary presentations and trial before the three-judge panel, the Board must "issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added" by amendment. 35 U.S.C. 318(a). The entire IPR, including the Board's final decision, must be completed on a swift timeline: within one year from the date of institution, absent an extension for good cause. 35 U.S.C. 316(a)(11). Any party to the IPR "who is dissatisfied with the final written decision of the Patent Trial and Appeal Board * * * may appeal the Board's decision

only to the United States Court of Appeals for the Federal Circuit." 35 U.S.C. 141(c).

B. Proceedings Before The Board

1. Petitioner Cuozzo Speed Technologies, LLC (Cuozzo) owns a patent on an invention that alerts drivers when they are speeding. The invention integrates a GPS unit and an in-vehicle display to provide a visual indication to the driver when he is exceeding the speed limit at the vehicle's present location. Cuozzo's patent claims thus cover "a speedometer integrally attached to [a] colored display." App., *infra*, 3a. Among other things, the invention eliminates the need for drivers to take their eyes off the road to look for speed limit signs.

On September 16, 2012—the date that the new system of *inter partes* review became available—Garmin International, Inc. and Garmin USA, Inc. (collectively, Garmin) filed an IPR petition challenging, *inter alia*, claims 10, 14, and 17 of the Cuozzo patent. The Board denied all of the grounds for unpatentability alleged by Garmin with respect to claims 10 and 14, but it applied to those claims prior art cited by Garmin with respect to claim 17. App., *infra*, 188a, 192a-193a. The Board then instituted IPR for all three claims, determining there was a reasonable likelihood that all of the claims were obvious based on prior art. *Id.* at 196a-197a.

2. In November 2013, after briefing, discovery, and the submission of evidence, the Board issued a final written decision invalidating claims 10, 14, and 17 as obvious under 35 U.S.C. 103. App., *infra*, 109a-167a. The Board explained that "[a]n appropriate construction of the [claim] term 'integrally attached' * * * is central to the patentability analy-

sis." *Id.* at 116a. Rejecting Cuozzo's construction of the ordinary meaning of the claim term "integrally attached," the Board gave the term its "broadest reasonable construction." *Id.* at 117a-120a. Using that construction, the Board found that claims 10, 14, and 17 were obvious based on prior art. *Id.* at 166a. Cuozzo appealed to the Federal Circuit, and although Cuozzo and Garmin reached a settlement, the PTO intervened to defend the Board's decision.

C. Proceedings Before The Federal Circuit

1. Over a vigorous dissent by Judge Newman, the panel majority affirmed the Board's decision in its entirety. App., *infra*, 1a-47a.[2]

a. The panel majority first held that the Board's decision to institute IPR was judicially unreviewable. App., *infra*, 7a. The panel majority acknowledged Cuozzo's argument that, for claims 10 and 14, "the PTO relied on prior art that Garmin did not identify in its petition as grounds for IPR as to those two claims." *Id.* at 6a. The panel majority also acknowledged that any petition for IPR must identify with particularity "the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." 35 U.S.C. 312(a)(3); App., *infra*, 6a. The PTO may institute IPR only if "the Director determines that the information presented in the petition and any response shows that there is a reasonable likelihood that the petitioner would prevail." *Ibid.* (quoting 35 U.S.C. 314(a)).

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[2] On rehearing, the panel majority and Judge Newman withdrew their original opinions, see App., *infra*, 68a-108a, and issued amended opinions with substantial revisions, see *id.* at 1a-47a. This petition refers to those amended opinions.

The panel majority nevertheless held that judicial review was barred by the AIA, which provides that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. 314(d). In the panel majority's view, Section 314(d) bars review even if, despite the statute's terms, the Director institutes IPR based on grounds and evidence that are not identified with particularity in the petition. The panel majority thus concluded that Section 314(d) "exclude[s] all review" of an institution decision, regardless of whether the challenge is to the appropriateness of the Director's exercise of his statutory authority or is instead to the Director's exceeding that authority. App., *infra*, 7a.

b. Turning to the merits, the panel majority held that the Board had permissibly adopted the broadest-reasonable-interpretation standard for claim construction. App., *infra*, 11a-21a. The panel majority observed that "the broadest reasonable interpretation standard has been applied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings." *Id.* at 13a. Based on that history, the panel majority concluded that when Congress created the new system of *inter partes* review, it "impliedly approved the existing rule" in IPR, notwithstanding Congress's intent to replace *inter partes* reexamination with IPR adjudication and the substantial differences between IPR and other types of PTO proceedings. *Id.* at 15a.

In the alternative, the panel majority held that even if Congress had not intended claims to be given their broadest reasonable interpretation, the PTO's regulation adopting that standard in IPR is a valid exercise of the agency's rulemaking authority and en-

titled to *Chevron* deference. App., *infra*, 18a-21a; see 37 C.F.R. 42.100(b). According to the panel majority, although the PTO does not have the "power to interpret substantive statutory 'patentability' standards," it has the authority to "embod[y] in a regulation the approach it has uniformly applied, even without rulemaking, when it is interpreting 'claims' to assess patentability." *Id.* at 20a.

c. Judge Newman dissented. App., *infra*, 30a-47a. In her view, "[t]he America Invents Act plainly contemplated that the new PTO tribunal would determine [the] validity of issued patents on the legally and factually correct claim construction, not on a hypothetical 'broadest' expedient as is used in examination of proposed claims in pending applications." *Id.* at 34a. Congress expressly created IPR, Judge Newman explained, to serve as an adjudicative "surrogate for district court litigation of patent validity," and it therefore is inconsistent with both the AIA and the sensible development of patent law to have different claim construction standards for agency and court proceedings. *Id.* at 30a-31a. Judge Newman further explained that the PTO lacks substantive rulemaking authority, but in any event she would not have deferred to the PTO regulation because it defeats Congress's purpose of "substituting administrative adjudication for district court adjudication." *Id.* at 45a.

With respect to the Board's decision to institute IPR, Judge Newman noted that the Board had exceeded its statutory authority and acted at odds with the plain terms of the AIA. She observed that the Board's institution decision "relies on arguments and evidence that had not been raised in the Petition to Institute, although the statute requires that all arguments and evidence must be presented in the Peti-

tion." App., *infra*, 31a. Criticizing the panel majority's "casual disregard of this statutory provision" and citing the presumption in favor of reviewability of agency action, Judge Newman concluded that Section 314(d) was intended to "control interlocutory delay and harassing filings" and does not preclude judicial review "of whether the statute was applied in accordance with its legislated scope." *Id.* at 31a, 46a.

2. Cuozzo filed a petition for rehearing en banc supported by numerous amici recognized as leaders in the field of intellectual property, including the Intellectual Property Owners Association, New York Intellectual Property Law Association, Pharmaceutical Research and Manufacturers of America, and some of America's leading inventive corporations (among them 3M, Caterpillar, Eli Lilly, General Electric, GlaxoSmithKline, Johnson & Johnson, Pfizer, Procter & Gamble, and Sanofi). Over a joint dissent by Chief Judge Prost and Judges Newman, Moore, O'Malley, and Reyna, as well as a separate dissent by Judge Newman, the court of appeals denied the petition for rehearing en banc by a vote of 6-5. In addition to urging rehearing, the dissenting judges would have rejected the Board's use of the broadest-reasonable-interpretation standard.

a. Judge Dyk (who authored the panel majority's decision), joined by Judges Lourie, Chen, and Hughes, concurred in the denial of rehearing. App., *infra*, 51a-52a. The concurrence reiterated the panel majority's reasoning that "[t]he PTO has applied the broadest reasonable interpretation standard in a variety of proceedings for more than a century," and "[n]othing in the [AIA] indicates congressional intent to change" that standard. *Id.* at 51a.

b. Chief Judge Prost and Judges Newman, Moore, O'Malley, and Reyna jointly dissented from the denial of rehearing. App., *infra*, 52a-61a. The joint dissent began by taking issue with the conclusion that Congress had "implicitly approved" the broadest-reasonable-interpretation standard. *Id.* at 53a (quoting *id.* at 18a). Observing the usual rule that "Congress' silence is just that—silence," *id.* at 53a (quoting *Cmty. for Creative Non-Violence* v. *Reid*, 490 U.S. 730, 749 (1989)), the joint dissent explained that the AIA created "a wholly novel procedure" and Congress's "[s]ilence has no meaning in this context." *Id.* at 54a. To the contrary, Congress wanted a "court-like proceeding" as "a far-reaching surrogate for district court validity determinations," *ibid.* (internal quotation marks omitted), and "[t]he panel majority fails to explain why Congress (or anyone else) would have thought it desirable or necessary for the Board to construe the claims during IPRs under a different legal framework than the one used by district courts," *id.* at 54a-55a.

The joint dissent also explained that "[the] background of existing law not only fails to support the conclusion drawn by the panel majority, [but] it points to the *opposite* result." App., *infra*, 55a (emphasis in original). Previous cases hold that "the broadest reasonable interpretation standard is a useful tool, *prior* to patent issuance, for clarifying the metes and bounds of an invention during the back-and-forth between the applicant and examiner when claims are not yet in their final form." *Ibid.* (collecting cases). By contrast, IPR proceedings are like district court litigation: "there is no back-and-forth between the patentee and examiner seeking to resolve claim scope ambiguity; there is no robust right to amend." *Id.* at

57a. IPR proceedings thus lack the "examinational hallmarks justifying the broadest reasonable interpretation standard in other contexts." *Ibid.*

Finally, the joint dissent disagreed that the PTO's regulation is entitled to *Chevron* deference. App., *infra*, 59a-61a. The joint dissent observed that the PTO has statutory authority "to prescribe *procedural* regulations" governing IPR proceedings—not the authority "to prescribe regulations on any issue that 'affects' decisions to institute or later proceedings." *Id.* at 59a-60a (emphasis in original). And even assuming the regulation were procedural, the joint dissent reasoned that "deference is still not warranted" because "the PTO's regulation [is] unreasonable." *Id.* at 60a. The joint dissent concluded that "in IPRs, as in district court litigation, an already issued claim is being analyzed solely for the purposes of determining its validity," and "it makes little sense to evaluate the claim against the prior art based on anything [other] than the claim's actual meaning." *Id.* at 61a.

c. Judge Newman separately dissented from the denial of rehearing. App., *infra*, 61a-67a. She noted "the extensive *amicus curiae* participation" at the rehearing stage. *Id.* at 61a; see *id.* at 62a-64a (summarizing amici's various arguments for rehearing the case, in light of the importance of the issues). After listing many of the reasons why the Board's standard is illogical and contrary to the AIA, *id.* at 65a-66a, Judge Newman concluded that the question of which claim construction standard should apply is "of powerful consequence," and, "[a]s urged by the *amici curiae*, it should be answered correctly." *Id.* at 67a.

REASONS FOR GRANTING THE PETITION

In 2011, Congress enacted the America Invents Act to reform the U.S. patent system. The Act's cornerstone is a new adjudicative proceeding called *inter partes* review (or IPR) that is designed as a quick and efficient alternative to district court litigation regarding the validity of patents. Over a dissent by Judge Newman, the panel majority fundamentally altered Congress's scheme by holding that the newly created Patent Trial and Appeal Board may use a different claim construction standard than federal courts or the International Trade Commission (ITC). To make matters worse, the panel majority held that even if the Board exceeds its statutory authority in instituting IPR proceedings, the Board's unlawful action is judicially unreviewable.

By a vote of 6-5, over a joint dissent by Chief Judge Prost and Judges Newman, Moore, O'Malley, and Reyna, as well as a separate dissent by Judge Newman, the Federal Circuit declined to rehear this case. But no one disputed the centrality of the issues presented here to the proper functioning of the AIA or the patent system as a whole. Patent challengers have filed thousands of IPR petitions, and the Board continues to invalidate patent claims at a robust rate—in part because the Board affords such claims their broadest reasonable interpretation, rather than their plain and ordinary meaning (as federal courts and the ITC do under *Phillips* v. *AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc)). The Board's standard introduces tremendous uncertainty into claim construction, allows for conflicting invalidity decisions, and undercuts Congress's central reform in the AIA. This Court's review is plainly warranted.

I. THE DECISION BELOW PRESENTS ISSUES OF EXCEPTIONAL IMPORTANCE.

The Federal Circuit has exclusive jurisdiction over appeals from the Board's decisions in IPR proceedings. See 35 U.S.C. 141(c). A divided panel of that court affirmed the Board's decision in this case, and the court then denied rehearing en banc by a vote of 6-5 over a joint dissent. As the panel and rehearing dissenters explained, the issues presented here are exceptionally important: they involve the operation of the new IPR system created by Congress and thus stand to affect the validity of any and all issued patents. In similar circumstances, this Court has granted review, see, *e.g.*, *Commil USA, LLC* v. *Cisco Sys., Inc.*, 135 S. Ct. 1920, 1925 (2015) (granting certiorari after Federal Circuit denied rehearing *en banc* over a dissent of five judges); *Highmark Inc.* v. *Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1748 (2014) (same), and it should do so again here.

A. Whether The Board Applies The Right Claim Construction Standard Is Critical To The Proper Operation Of The AIA And The Patent System.

1. The Patent Act requires that every patent "conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as his invention." 35 U.S.C. 112(b). The patent's claims define the invention and mark the scope of the patentee's right to exclude. See *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996) (a claim is that "portion of the patent document that defines the scope of the patentee's rights"); *Phillips*, 415 F.3d at 1312 ("[T]he claims of a patent define the invention to

which the patentee is entitled the right to exclude.") (quoting *Innova/Pure Water, Inc.* v. *Safari Water Filtration Sys., Inc.*, 381 F.3d 1111, 1115 (Fed. Cir. 2004)).

The rules of claim construction are thus fundamental to patent law, both in terms of the nature of claims that will issue and the devices that will be deemed to infringe. Claim construction plays an important role in virtually every patent case because it is central to evaluating validity and infringement. See *In re Papst Licensing Digital Camera Patent Litig.*, 778 F.3d 1255, 1261 (Fed. Cir. 2015) ("The infringement inquiry * * * depends on the proper construction of the claims."); see also Peter S. Menell, Matthew D. Powers & Steven C. Carlson, *Patent Claim Construction: A Modern Synthesis and Structured Framework*, 25 Berkeley Tech. L.J. 711, 714 (2010) ("The construction of patent claims * * * is central to the evaluation of infringement and validity, and can affect or determine the outcome of other significant issues such as unenforceability, enablement, and remedies.").

Because of the centrality of claim construction to patent adjudication, this Court granted certiorari last Term to clarify the standard of review for factual findings made during the course of claim construction. See *Teva Pharm. USA, Inc.* v. *Sandoz, Inc.*, 135 S. Ct. 831, 836 (2015). As explained below, the question of what claim construction standard applies in IPR proceedings stands to be dispositive in at least as many cases (and with respect to at least as many patent claims) as the standard of review applicable on appeal in patent litigation.

2. The applicable claim construction standard is just as important in IPR proceedings as in district court litigation. See App., *infra*, 67a (Newman, J.,

dissenting) (noting that the question is "of powerful consequence"). The AIA created IPR as a "quick and cost effective alternative[] to litigation." H.R. Rep. No. 112-98, at 48; see *id.* at 40 (AIA "establish[es] a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs."). Congress believed that an adversarial proceeding before an expert agency body, the Patent Trial and Appeal Board, could "reliably resolve most issues of patent validity, without the expense and delay of district court litigation." App., *infra*, 32a (Newman, J., dissenting).

The effect of IPR has been to shift validity disputes from district courts to the Board in an increasing number of cases. Although the PTO estimated that approximately 460 IPR petitions would be filed annually, the actual number was approximately 1,500 last year. See Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,724 (Aug. 14, 2012); U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics 8/31/2015, http://www.uspto.gov/sites/default/files/documents/2015-08-31%20PTAB.pdf (last visited Oct. 6, 2015) (PTO Statistics). Since September 2012 when the AIA took effect, the PTO has received more than 3,400 petitions. *Ibid.*

Moreover, because Congress established IPR as a streamlined alternative to district court litigation, the Board has already completed at least 482 IPR trials, with 409 (or nearly 85%) ending in the cancellation of some or all of the patent claims under review. See PTO Statistics. The high cancellation rate owes in part to the Board's use of the broadest-reasonable-interpretation standard. See Paul R. Michel, *Why*

Rush Patent Reform?, 7 Landslide 49, 51 (2015) ("The new reality for patent owners is also that reviews are held under circumstances and regulations unfavorable to owners: The [Board] applies the 'broadest reasonable construction,' rather than the 'correct construction' applied by courts."); Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. Rev. 881, 916 (2015) (noting that differing claim construction standards "make it much easier for the patent challenger to prevail" in trials before the Board). And, of course, the more patent claims the Board invalidates, the more likely challengers are to file. See Neil C. Jones, *The Five Most Publicized Patent Issues Today*, Bus. L. Today (May 2014).

By any measure, the Board—and the claim construction standard it employs—is having a tremendous and immediate impact on the U.S. patent system and the rights of patent owners. See Aashish Kapadia, Inter Partes *Review: A New Paradigm in Patent Litigation*, 23 Tex. Intell. Prop. L. J. 113, 115 (2015) ("[T]he IPR proceeding has rapidly grown into a necessary option for patent owners and challengers alike. The [Board] is the premier tribunal for patent issues."). That effect will only grow in the future as more patent challengers initiate IPR proceedings.

3. The Federal Circuit's adoption of a different claim construction standard for IPR proceedings than for patent litigation will result in a number of harmful consequences. Among them, it will inject uncertainty into the post-issuance review of patent claims, and lead to conflicting decisions between the Board and federal courts on claims that include similar phrases, concepts, or language. Those consequences should not come to pass without this Court's plenary review.

a. Under the AIA, a patent challenger may elect to file either a federal lawsuit or an IPR petition, meaning that either district courts or the Board may decide whether patent claims are invalid pursuant to "[S]ection 102 [novelty] or 103 [obviousness]." 35 U.S.C. 311(b). There is no sound reason for courts and the Board to apply different claim construction standards in determining validity under those statutory provisions, depending on where a challenger chooses to file. As the joint dissenters observed, "[t]he panel majority fails to explain why Congress (or anyone else) would have thought it desirable or necessary for the Board to construe the claims during IPRs under a different legal framework than the one used by district courts." App., *infra*, 54a-55a. Or as Judge Newman put it in her dissent, "[i]t is unacceptable to create a situation whereby the tribunals charged with determination of patent validity as a matter of law, that is, the [Board] and the district court, could validly reach a different result on the same evidence." *Id.* at 43a.

In *Markman*, this Court identified the "importance of uniformity in the treatment of a given patent" as a "reason to allocate all issues of construction" to courts rather than juries. 517 U.S. at 390. The decision below obviously prevents such uniformity. A patent claim could be declared valid by a district court under the *Phillips* plain-and-ordinary-meaning standard, but invalid by the Board when it construes the claim more broadly and thereby captures more prior art. As a result, patentees can no longer rely on the finality of district court adjudication. By allowing the choice of tribunal to affect the validity determination, the decision below deprives patent owners of valuable

property rights, creates substantial uncertainty, and is an invitation to gamesmanship.[3]

b. The panel majority's decision also creates inconsistency in how patent claims are construed for validity versus infringement, violating the fundamental principle of patent law that "claims must be interpreted and given the same meaning for purposes of both validity and infringement analyses." *SmithKline Diagnostics, Inc.* v. *Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988). The broadest-reasonable-interpretation standard in IPR proceedings forces patentees to defend claims broader in scope than what they could assert in infringement actions. In other words, patentees in IPR proceedings are compelled to defend validity against prior art that might not be relevant to the same claims in district court infringement litigation. As Judge Newman emphasized, "no precedent [and] no practical reality[] authorizes or tolerates a broader construction" for validity than for infringement. App., *infra*, 65a.

B. Whether The Board May Freely Exceed Its Statutory Authority In Instituting IPR Is Likewise Critical To The Proper Operation Of The AIA And The Patent System.

In the AIA, Congress created three new adversarial administrative proceedings in which the Board adjudicates challenges to the validity of issued patents:

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[3] The Board stands alone as an adjudicatory forum that does not apply the *Phillips* standard. The ITC is authorized to investigate the importation of goods that infringe a U.S. patent. See 19 U.S.C. 1337. In determining patent infringement, the ITC uses the same claim construction standard as federal courts. See *Kyocera Wireless Corp.* v. *Int'l Trade Comm'n*, 545 F.3d 1340, 1346 (Fed. Cir. 2008).

inter partes review (which is at issue in this case), post-grant review, and transitional post-grant review, also known as "covered business method" or "CBM" review. See 35 U.S.C. 311-319, 321-329; AIA 18(a)-(d), 125 Stat. at 329-331. Post-grant review is available for recently issued patents during the first nine months after issuance (whereas IPR governs older patents and review of newer patents outside the nine-month window). See 35 U.S.C. 321(c). CBM review is a temporary program (sunsetting in 2020) that allows challenges to patents of a financial product or service by those who have been sued or charged with infringement. See AIA 18(a)-(d), 125 Stat. at 329-331. All three types of adjudication are procedurally similar: the Board decides whether to institute the proceeding in response to a patent challenger's petition, and if so, then it conducts a trial-like proceeding and issues a final written decision as to patentability.

As the PTO already has acknowledged in the CBM context, the reviewability of the Board's institution decisions is a "question of tremendous prospective importance" that will affect "countless future appeals." PTO Petition for Rehearing En Banc at 5 & n.1, *Versata Dev. Grp., Inc.* v. *SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) (No. 2014-1194) (PTO Reh'g Pet.); *id.* at 1 (referring to the issue as a "precedent-setting question of exceptional importance" and a "threshold jurisdictional question of surpassing prospective importance"). The AIA's new post-issuance patent review procedures have proven extremely popular, and "appeals from such proceedings constitute a growing portion of the [Federal Circuit's] docket." *Ibid.*; see *id.* at 14.

Moreover, the Federal Circuit has issued directly conflicting decisions on the reviewability question.

The divided panel held in this case—over Judge Newman's dissent—that the Board's decision to institute is *not* reviewable even upon conclusion of the IPR, because the AIA provides that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. 314(d). Just a day later, a divided panel held in *Versata*—over Judge Hughes' partial dissent—that the Board's decision to institute a CBM proceeding *is* reviewable, even though the AIA provides in identical language that "[t]he determination by the Director whether to institute a [CBM] post-grant review under this section shall be final and nonappealable." 35 U.S.C. 324(e); see *Versata*, 793 F.3d at 1323.

The panel majority in *Versata* thus rejected the PTO's argument that, even if the Board had exceeded its statutory authority in instituting CBM, the Board's action could not be reviewed. The *Versata* panel majority explained that there is a strong presumption in favor of the reviewability of agency action, and "nothing in [Section] 324(e) meets the high standard for precluding review of whether the PTAB has violated a limit on its invalidation authority." 793 F.3d at 1320. As Judge Hughes observed, the decision in *Versata* "directly conflicts" with the panel's decision in this case. *Id.* at 1341 (concurring in part and dissenting in part) ("The majority's interpretation of [Section] 324(e) to permit review of whether Versata's patent is a 'covered business method patent' directly conflicts with our precedential decision in *In re Cuozzo Speed Technologies, LLC.*").

Since *Versata*, the Federal Circuit has only deepened the confusion. In *Achates Reference Publ'g, Inc.* v. *Apple Inc.*, No. 2014-1767, 2015 WL 5711943, at *1

(Fed. Cir. Sept. 30, 2015), the patentee argued that the Board had exceeded its statutory authority to institute IPR because the petitions were time-barred by 35 U.S.C. 315(b). As in *Cuozzo*, the panel held that the AIA bars all review of the Board's institution decisions. *Id.* at *7. The panel tried to distinguish *Versata* as "limited to the unique circumstances of [CBM review]," but it acknowledged that the statutory provisions governing review of IPR and CBM institution determinations are "identically worded." *Id.* at *5, *3. Taken together, *Cuozzo*, *Versata*, and *Achates* leave patentees, petitioners, and the PTO uncertain what issues they should brief and what questions the Federal Circuit views itself authorized to decide.

The PTO therefore has filed a rehearing petition in *Versata* (as has the patentee), arguing that the "clear conflict" between *Versata* and this case "casts a long shadow of uncertainty over the scope of [the Federal Circuit's] review, leaving both private parties and the PTO at a loss to predict what questions the [Federal Circuit] will agree to decide in an increasingly important category of appeals." PTO Reh'g Pet. 2, 5; see also *id.* at 14-15 (explaining that the conflict "casts a pall of uncertainty over all of the new AIA proceedings"). The PTO is absolutely right. Whether the Federal Circuit can review claims that the Board exceeded its statutory authority has "serious consequences for the PTO and parties in the new AIA review proceedings." *Id.* at 4. This Court should grant review to resolve the uncertainty surrounding the reviewability of the Board's decisions and to restore the limits that Congress imposed on the Board's authority to institute post-issuance proceedings.

The PTO's pending rehearing petition in *Versata* is no reason to deny review. Although its intervening

decision in *Achates* suggests the Federal Circuit will deny rehearing, no matter what the Federal Circuit opts to do, the reviewability of the Board's decisions has divided that court's judges, who have aired the merits of both sides in their respective opinions. Given the clear importance of the issue, this Court's review will be needed at some point, and there is no reason to await a further headcount of the court of appeals. This case is an excellent vehicle that would allow the Court to resolve both the scope of the Federal Circuit's jurisdiction and the claim construction standard that applies in IPR proceedings. And even if this Court were inclined to stay its hand on the reviewability question, it nevertheless should grant the claim construction question, which is entirely separate and independently merits review.[4]

II. THE DECISION BELOW IS INCORRECT.

A. The Panel Majority Erred In Holding That The Board May Give Patent Claims Their Broadest Reasonable Interpretation, Rather Than Their Ordinary Meaning.

1. The broadest-reasonable-interpretation protocol is an examination expedient justified by the applicant's liberal right to amend claims.

The Federal Circuit has previously recognized that the broadest-reasonable-interpretation protocol "is solely an examination expedient, and is not a rule of

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[4] If the Court is not inclined to decide the questions presented here, it should hold this petition pending the Federal Circuit's decision whether to grant rehearing in *Versata*. If the Federal Circuit grants rehearing, this Court should grant, vacate, and remand for further consideration in light of the *en banc* decision.

claim construction." *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009). When examining a patent application, examiners use the broadest reasonable interpretation as a tool to "facilitate exploring the metes and bounds to which the applicant may be entitled, and thus to aid in sharpening and clarifying the claims during the application stage, when claims are readily changed." *Ibid*; see U.S. Patent and Trademark Office, Manual of Patent Examining Procedure § 2111 (9th ed., Mar. 2014) (PTO Manual). Using such a broad construction of proposed claim language typically leads to a back-and-forth between examiner and applicant with repeated and frequent amendment of claim language. The right to amend is absolute; the PTO's permission is not required while the application is pending. See App., *infra*, 58a (joint dissent) (noting that claims are "readily" amended during the examination process).

If the examiner rejects the broadest reasonable interpretation of a proposed claim as unpatentable, the applicant may freely narrow the claim by amendment or by advancing limiting arguments that become part of the prosecution history. It is the applicant's right to amend its claims, as part of the "give-and-take between applicant and examiner," that "justifies use of the broadest reasonable interpretation standard." App., *infra*, 55a (joint dissent). The Federal Circuit has said the same thing numerous times. *See, e.g.*, *Burlington Indus., Inc.* v. *Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987) ("Patent application claims are given their broadest reasonable interpretation during examination proceedings, for the simple reason that before a patent is granted the claims are readily amended as part of the examination process."); *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984) (same); *In re*

Prater, 415 F.2d 1393, 1404-1405 (C.C.P.A. 1969) (same).

By contrast, the PTO has never used the broadest-reasonable-interpretation protocol in post-issuance proceedings where the patentee lacks the liberal right to amend at its own discretion. For instance, in reexamination proceedings involving claims of expired patents, the PTO does not afford claims their broadest reasonable interpretation because the patentee is unable to amend. See PTO Manual § 2258G ("In a reexamination proceeding involving claims of an expired patent, claim construction pursuant to the principle set forth by the court in *Phillips* * * * should be applied since the expired claim[s] are not subject to amendment."); *In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014). In such reexamination proceedings, the PTO has instructed examiners to use the same standard as district courts by giving patent claims their ordinary meaning.[5]

2. Congress established an adjudicative proceeding with no right to amend.

In the AIA, Congress converted the then-existing system of "*inter partes* reexamination from an exami-

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[5] Applying the same logic, the PTO recently proposed a rule change for AIA proceedings involving claims of a patent that will expire prior to the Board's issuance of a final written decision. The PTO conceded that the application of a "*Phillips*-type claim construction" for soon-to-expire patents was appropriate because "[s]uch patents essentially lack any viable opportunity to amend the claims in an AIA proceeding." Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50,722 (Aug. 20, 2015). The Board elected to continue applying a broadest-reasonable-interpretation standard to all other patent claims.

national to an adjudicative proceeding, and rename[d] the proceeding '*inter partes* review.'" H.R. Rep. No. 112-98, at 46-47. IPR is intended to serve as a quick and cost-effective "surrogate for district court validity determinations." App., *infra*, 32a (Newman, J., dissenting); see *id.* at 54a-55a (joint dissent). IPR proceedings are fundamentally adversarial and adjudicative: the patentee and challenger can obtain discovery, submit briefs, and participate in an oral hearing before a panel of administrative patent judges, who preside over the trial and issue a final written decision. As the Board itself has recognized, "*inter partes* review is neither a patent examination nor a patent reexamination," but is "a trial, adjudicatory in nature." *Google Inc.* v. *Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper No. 50, at 4 (Feb. 13, 2014).

Because IPR proceedings are adjudicative rather than examinational, "there is no back-and-forth between the patentee and examiner seeking to resolve claim scope ambiguity; there is no robust right to amend." App., *infra*, 57a (joint dissent). Indeed, patentees do not have any right to amend their claims, but must instead seek permission of the Board—permission that in practice has not regularly been granted. Even then, patentees are limited to one "motion to amend," with additional motions allowed only to "materially advance the settlement of a proceeding" or "as permitted by regulations prescribed by the Director." 35 U.S.C. 316(d). The motion is presumptively limited to substituting one amended claim for one challenged claim, and the motion may be denied if the amendment "does not respond to a ground of unpatentability involved in the trial" or "seeks to enlarge the scope of the claims of the patent

or introduce new subject matter." 37 C.F.R. 42.121(a).

As the joint dissent explained, Congress established a system that lacks the "examinational hallmarks justifying the broadest reasonable interpretation standard in other contexts" and that bears "similarities to district court litigation." App., *infra*, 57a. In IPR proceedings, as in district court litigation, the goal is to determine the patent's validity—*i.e.*, "what a patent *actually* claims." *Id.* at 56a (joint dissent) (emphasis in original). "In [that] context, it makes little sense to evaluate the claim against the prior art based on anything [other] than the claim's actual meaning," and "[t]he panel majority fails to explain why Congress (or anyone else) would have thought it desirable or necessary for the Board to construe the claims during IPRs under a different legal framework than the one used by district courts." *Id.* at 54a-55a, 61a (joint dissent).

3. The PTO's regulation is invalid.

The panel majority relied in the alternative on a regulation promulgated by the PTO that directs the Board to give claims their "broadest reasonable construction" rather than their "ordinary and customary meaning." 37 C.F.R. 42.100(b). For the reasons given by the joint dissent, see App., *infra*, 59a-61a, that regulation is not entitled to any deference. The PTO lacks the power—both generally under the Patent Act and specifically under the AIA—to prescribe substantive rules. See *id.* at 59a; *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1335-1336 (Fed. Cir. 2008). The PTO thus cannot, under the guise of issuing procedural rules, change the law of how patent claims are construed. In any event, far from being a reasonable in-

terpretation of the AIA, the PTO's regulation is manifestly unreasonable, including because it defeats Congress's purpose of substituting administrative adjudication for district court adjudication.

B. The Panel Majority Erred In Holding That, Even If The Board Exceeds Its Statutory Authority In Instituting IPR, The Board's Unlawful Action Is Unreviewable.

The AIA does not allow interlocutory review of institution determinations, but it does permit review as part of the plenary appeal from the Board's final written decision, particularly in light of the strong presumption favoring judicial review. Even assuming that Congress intended to bar any review of the Board's institution determinations, the panel majority ignored that courts have drawn a narrow exception for review of agency action that, as here, violates clear statutory limits.

1. Under the AIA, *inter partes* review is an adversarial proceeding that the Board may institute only on the basis of the parties' submissions. The Act requires an IPR petition to identify with particularity "the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." 35 U.S.C. 312(a)(3). The patentee has "the right to file a preliminary response to the petition * * * that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter." 35 U.S.C. 313. The Board then may institute IPR only upon "determin[ing] that the information presented in the petition * * * and any response * * * shows that there is a reasonable likelihood that the petitioner would prevail with respect

to at least 1 of the claims challenged in the petition." 35 U.S.C. 314(a).

The statutory text could hardly be clearer. A petitioner is required to present "the grounds on which the challenge to each claim is based, and the evidence that supports [those] grounds." 35 U.S.C. 312(a)(3). The Board then must determine whether *that* information (along with any corresponding information in a response) warrants instituting an IPR proceeding, see 35 U.S.C. 314(a), much as a district court in patent litigation has to determine from the parties' pleadings whether to dismiss the case or allow it to proceed. The Board is not authorized to invalidate patents on the basis of prior art it collects or arguments it devises. When the Board does so, it deprives the patentee—which already has filed its response addressing the petition—of the opportunity to explain why the Board's newfound evidence or argument does not warrant IPR. See App., *infra*, 31a (Newman, J., dissenting).

2. The decision below incorrectly holds that, even if the Board exceeds its statutory authority in instituting IPR, the Board's unlawful action is unreviewable. In other words, the Board may freely expand its authority to invalidate a patentee's property rights, without any judicial oversight. The panel majority relied on 35 U.S.C. 314(d), which provides that the Director's determination "whether to institute an inter partes review under this section shall be final and nonappealable." But as the panel majority recognized, the Federal Circuit had previously held that Section 314(d) prevents an *interlocutory* appeal of the PTO's institution decision. See App., *infra*, 6a (citing *St. Jude Med., Cardiology Div., Inc.* v. *Volcano Corp.*, 749 F.3d 1373, 1375-1376 (Fed. Cir. 2014)); *id.* at 46a

(Newman, J., dissenting). The AIA's bar on interlocutory appeals makes complete sense because the Board is normally required to complete IPR proceedings within one year. See 35 U.S.C. 316(a)(11).

The AIA separately provides for appellate review of the Board's final written decision, see 35 U.S.C. 141(c), 319, and those are the provisions Cuozzo invoked when it appealed at the end of the IPR proceeding. In such an appeal, nothing should bar a party from arguing that the Board's final written decision must be set aside because the proceeding was improperly instituted. In normal patent litigation, a party may appeal to the Federal Circuit on the ground that the district court lacked jurisdiction or erred in failing to grant a motion to dismiss. There is no reason for a different rule when a party appeals to the Federal Circuit from a final decision in an IPR proceeding. The panel majority reasoned that declaring the decision to institute "final," as Section 314(d) does, "cannot reasonably be interpreted as postponing review until after issuance of a final decision on patentability." App., *infra*, 7a. But of course it can. Section 314(d) can easily be read as saying that the PTO's determination is "final and nonappealable" *at the time it is made*—not forever more.

Indeed, Section 314(d) must be read that way in light of the "strong presumption that Congress intends judicial review of administrative action." *Bowen* v. *Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986). Although Judge Newman pointed to that presumption in her dissent, see App., *infra*, 46a, the panel majority did not address it. When Congress provided for judicial review of the Board's final written decisions, it did so for "[any] party to an inter partes review * * * who is dissatisfied with the final

written decision of the Patent Trial and Appeal Board," 35 U.S.C. 141(c), without placing any limits on the grounds for a party's dissatisfaction. Section 141(c) and 314(d) can be interpreted *in pari materia* to permit appeals from IPR proceedings that mirror appeals from district court patent litigation—*i.e.*, appeals that occur only at the conclusion of IPR proceedings but in which parties are not limited in their substantive challenges. Because Sections 141(c) and 314(d) can be read that way, they should be read that way.

3. Even assuming that Congress intended Section 314(d) to bar any review of the Board's institution decisions, the panel majority ignored that "courts have recognized an 'implicit and narrow' exception" to such statutory bars "for agency action that plainly violates an unambiguous statutory mandate." *Versata*, 793 F.3d at 1342 (Hughes, J., concurring in part and dissenting in part) (collecting cases, including *Leedom* v. *Kyne*, 358 U.S. 184 (1958)).

Section 314(d) would continue to bar appeals contending that the Board, in weighing "the information presented in the petition * * * and any response," erred in finding "a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition." 35 U.S.C. 314(a). But Section 314(d) may not bar appeals that the Board ignored limits on its own statutory authority, including the requirement that the Board base its institution decision on the parties' submissions rather than its own research or theories. Although "[a]n agency may not finally decide the limits of its own statutory power," *Soc. Sec. Bd.* v. *Nierotko*, 327 U.S. 358, 369 (1946), the panel majority instead gave the Board free license to ignore the AIA's limits on its in-

stitution authority. See App., *infra*, 31a (Newman, J., dissenting) ("Such casual disregard of this statutory provision cannot have been intended.").

III. THIS CASE IS AN IDEAL VEHICLE TO RESOLVE THE DIVISIONS IN THE FEDERAL CIRCUIT.

The Federal Circuit is deeply divided on the claim construction standard that should apply in IPR proceedings. The five dissenting judges authored a joint dissent, and Judge Newman dissented separately, concluding that "[t]his is a simple question, although of powerful consequence," and "it should be answered correctly." App., *infra*, 67a. The division within the Federal Circuit on the issue is a foundational one, stemming from disagreement over the background understanding when Congress enacted the AIA. Compare *id.* at 51a (concurrence in the denial of rehearing), with *id.* at 54a-55a (joint dissent from that denial). Only this Court can definitively settle the debate.

This case presents an ideal opportunity to do so. There is no question that, applying the broadest-reasonable-interpretation rule in the PTO's regulation, the Board invalidated three claims in Cuozzo's patent. Cuozzo challenged the use of that standard on appeal, and the issue was addressed directly and extensively in multiple opinions at both the panel and rehearing stages. There is likewise no question that, over Cuozzo's objection and Judge Newman's dissent, the panel majority declined to review the Board's decision to institute IPR, even if that decision was unlawful under the AIA. Both issues are legal ones. Delaying review would allow hundreds or even thousands of additional patent claims to be invalidated un-

der the wrong standard, not to mention that some of those IPR proceedings should never have been instituted in the first place.

Although there are bills pending in Congress to abrogate the PTO's regulation and the decision below, those bills are not close to enactment. See App., *infra*, 65a n.1 (Newman, J., dissenting) ("Corrective legislation * * * has stalled because of unrelated areas of controversy."); *Experts Unsure of Path Patent Reform Legislation Will Take*, Commc'ns Daily, Sept. 8, 2015 ("HR-9 [the House bill] was placed on the House schedule but removed before legislators' August recess, and S-1137 [the Senate bill] hasn't been assigned floor time in the full Senate."); see also Innovation Act, H.R. 9, 114th Cong. § 9(b)(1)(C) (2015); Patent Act, S. 1137, 114th Cong. § 11(a)(4)(A)(vii) (2015); STRONG Patents Act of 2015, S. 632, 114th Cong. § 102(a) (2015).

The speculative possibility that Congress could eventually pass legislation to correct the PTO's error should not prevent review. This Court has often granted certiorari in patent cases despite the indefinite prospect of corrective legislation. See, *e.g.*, Br. in Opp. at 11, *Highmark Inc.* v. *Allcare Health Mgmt. Sys. Inc.*, 134 S. Ct. 1744 (2014) (No. 12-1163) (noting pending legislation); Br. in Opp. at 33, *Microsoft Corp.* v. *i4 Ltd. P'ship*, 131 S. Ct. 2238 (2011) (No. 10-290) (same); Br. in Opp. at 13-15, *Metro-Goldwyn-Mayer Studios Inc.* v. *Grokster, Ltd.*, 545 U.S. 913 (2005) (No. 04-480) (same). Petitioner respectfully submits that the same course is warranted here.

CONCLUSION

For the reasons set forth above, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

IN RE: CUOZZO SPEED TECHNOLOGIES, LLC,
Appellant

2014-1301

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2012-00001.

Decided: July 8, 2015

Before NEWMAN, CLEVENGER, and DYK, *Circuit Judges*.

Opinion for the court filed by *Circuit Judge* DYK.

Dissenting opinion filed by *Circuit Judge* NEWMAN.

DYK, *Circuit Judge*.

Cuozzo Speed Technologies ("Cuozzo") owns U.S. Patent No. 6,778,074 (the "'074 patent"). Garmin International, Inc. and Garmin USA, Inc. (collectively,

"Garmin") petitioned the United States Patent and Trademark Office ("PTO") for inter partes review ("IPR") of claims 10, 14, and 17 of the '074 patent. The PTO granted Garmin's petition and instituted IPR. The Patent Trial and Appeal Board (the "Board") timely issued a final decision finding claims 10, 14, and 17 obvious. The Board additionally denied Cuozzo's motion to amend the '074 patent by substituting new claims 21, 22, and 23 for claims 10, 14, and 17.

Contrary to Cuozzo's contention, we hold that we lack jurisdiction to review the PTO's decision to institute IPR. We affirm the Board's final determination, finding no error in the Board's claim construction under the broadest reasonable interpretation standard, the Board's obviousness determination, and the Board's denial of Cuozzo's motion to amend.

BACKGROUND

Cuozzo is the assignee of the '074 patent, entitled "Speed Limit Indicator and Method for Displaying Speed and the Relevant Speed Limit," which issued on August 17, 2004. The '074 patent discloses an interface which displays a vehicle's current speed as well as the speed limit. In one embodiment, a red filter is superimposed on a white speedometer so that "speeds above the legal speed limit are displayed in red while the legal speeds are displayed in white " *Id.* col. 5 ll. 35–37. A global positioning system ("GPS") unit tracks the vehicle's location and identifies the speed limit at that location. The red filter automatically rotates when the speed limit changes, so that the speeds above the speed limit at that loca-

tion are displayed in red. The patent also states that the speed limit indicator may take the form of a colored liquid crystal display ("LCD"). *Id.* col. 3 ll. 4–6, col. 6 ll. 11–14. In claim 10, the independent claim at issue here, a colored display shows the current speed limit, and the colored display is "integrally attached" to the speedometer. *Id.* col. 7 l. 10.

Claim 10 recites:

> A speed limit indicator comprising:
> a global positioning system receiver;
> a display controller connected to said global positioning system receiver, wherein said display controller adjusts a colored display in response to signals from said global positioning system receiver to continuously update the delineation of which speed readings are in violation of the speed limit at a vehicle's present location; and
> a speedometer integrally attached to said colored display.

Id. col. 7 ll. 1–10. Claim 14 is addressed to "[t]he speed limit indicator as defined in claim 10, wherein said colored display is a colored filter." *Id.* col. 7 ll. 23–24. Claim 17 recites: "[t]he speed limit indicator as defined in claim 14, wherein said display controller rotates said colored filter independently of said speedometer to continuously update the delineation of which speed readings are in violation of the speed limit at a vehicle's present location." *Id.* col. 8 ll. 5–9.

On September 16, 2012, Garmin filed a petition with the PTO to institute IPR of, *inter alia*, claims 10, 14, and 17 the '074 patent. Garmin contended that

claim 10 was invalid as anticipated under 35 U.S.C. § 102(e) or as obvious under 35 U.S.C. § 103(a) and that claims 14 and 17 were obvious under § 103(a). The PTO instituted IPR, determining that there was a reasonable likelihood that claims 10, 14, and 17 were obvious under § 103 over (1) U.S. Patent Nos. 6,633,811 ("Aumayer"), 3,980,041 ("Evans"), and 2,711,153 ("Wendt"); and/or (2) German Patent No. 197 55 470 ("Tegethoff"), U.S. Patent No. 6,515,596 ("Awada"), Evans, and Wendt. Although Garmin's petition with respect to claim 17 included the grounds on which the PTO instituted review, the petition did not list Evans or Wendt for claim 10 or Wendt for claim 14.

In its subsequent final decision, the Board explained that "[a]n appropriate construction of the term 'integrally attached' in independent claim 10 is central to the patentability analysis of claims 10, 14, and 17." J.A. 7. The Board applied a broadest reasonable interpretation standard and construed the term "integrally attached" as meaning "discrete parts physically joined together as a unit without each part losing its own separate identity." J.A. 9. The Board found that claims 10, 14, and 17 were unpatentable as obvious under 35 U.S.C. § 103 (1) over Aumayer, Evans, and Wendt; and, alternatively, (2) over Tegethoff, Awada, Evans, and Wendt.

The Board also denied Cuozzo's motion to amend the patent by replacing claims 10, 14, and 17 with substitute claims 21, 22, and 23. The Board's denial of the

motion to amend centered on proposed claim 21.[1] Claim 21 would have amended the patent to claim "a speedometer integrally attached to [a] colored display, wherein the speedometer comprises a liquid crystal display, and wherein the colored display is the liquid crystal display." J.A. 357–58. The Board rejected the amendment because (1) substitute claim 21 lacked written description support as required by 35 U.S.C. § 112, and (2) the substitute claims would improperly enlarge the scope of the claims as construed by the Board.

Cuozzo appealed. The PTO intervened, and we granted Garmin's motion to withdraw as appellee.[2] We have jurisdiction to review the Board's final decision under 28 U.S.C. § 1295(a)(4)(A).

DISCUSSION

I

IPRs proceed in two phases. *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375–76 (Fed. Cir. 2014). In the first phase, the PTO determines whether to institute IPR. In the second phase, the Board conducts the IPR proceeding and issues a final decision. *Id.*

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[1] The parties do not separately address claims 22 and 23 and apparently agree that the motion for leave to amend on those claims presents the same issues as claim 21.

[2] Garmin filed a motion to withdraw because it agreed not to participate in any appeal of the IPR written decision as part of a settlement agreement with Cuozzo.

Cuozzo argues that the PTO improperly instituted IPR on claims 10 and 14 because the PTO relied on prior art that Garmin did not identify in its petition as grounds for IPR as to those two claims (though the prior art in question was identified with respect to claim 17). Under the statute, any petition for IPR must "identif[y] with particularity the grounds on which the challenge to each claim is based " 35 U.S.C. § 312(a)(3). Cuozzo argues that the PTO may only institute IPR based on grounds identified in the petition because "[t]he Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition and any response shows that there is a reasonable likelihood that the petitioner would prevail " *Id.* § 314(a).

Section 314(d) is entitled "No appeal" and provides that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. § 314(d). The PTO argues that § 314(d) precludes review of a determination to institute IPR. Cuozzo argues that § 314(d) does not completely preclude review of the decision to institute IPR, but instead merely postpones review of the PTO's authority until after the issuance of a final decision by the Board.

We have previously addressed § 314(d) and have held that it precludes interlocutory review of decisions whether to institute IPR. In *St. Jude*, we characterized § 314(d) as a "broadly worded bar on appeal" and held that § 314(d) "certainly bars" interlocutory review of the PTO's denial of a petition for IPR. 749 F.3d at 1375–76. This result was supported by § 319,

which "authorizes appeals to this court only from 'the final written decision of the [Board] '" *Id.* at 1375 (quoting 35 U.S.C. § 319) (alteration in original). Similarly, the bar to interlocutory review is supported by 35 U.S.C. § 141(c), which "authorizes appeal only by 'a party to an inter partes review who is dissatisfied with the final written decision of the [Board] under section 318(a).'" *Id.* (quoting 35 U.S.C. § 141(c)) (alterations in original). But while we stated that § 314 "may well preclude all review by any route," we did not decide the issue. *Id.* at 1376.

We conclude that § 314(d) prohibits review of the decision to institute IPR even after a final decision. On its face, the provision is not directed to precluding review only before a final decision. It is written to exclude all review of the decision whether to institute review. Section 314(d) provides that the decision is both "nonappealable" and "final," i.e., not subject to further review. 35 U.S.C. § 314(d). A declaration that the decision to institute is "final" cannot reasonably be interpreted as postponing review until after issuance of a final decision on patentability. Moreover, given that § 319 and § 141(c) already limit appeals to appeals from final decisions, § 314(d) would have been unnecessary to preclude non-final review of institution decisions. Because § 314(d) is unnecessary to limit interlocutory appeals, it must be read to bar review of all institution decisions, even after the Board issues a final decision. Nor does the IPR statute expressly limit the Board's authority at the final decision stage to the grounds alleged in the IPR petition. It simply authorizes the Board to issue "a final written decision with respect to the patentability of any patent

claim challenged by the petitioner and any new claim added under section 316(d)." 35 U.S.C. § 318(a).

Our decision in *In re Hiniker Co.*, 150 F.3d 1362, 1367 (Fed. Cir. 1998), confirms the correctness of the PTO's position here. There, even absent a provision comparable to § 314(d),[3] we held that a flawed decision to institute reexamination under 35 U.S.C. § 303 was not a basis for setting aside a final decision. *Hiniker*, 150 F.3d at 1367. Under the statute at issue in *Hiniker*, reexamination could only be instituted if the Commissioner determined that there was "a substantial new question of patentability," i.e., new prior art not considered by the examiner. 35 U.S.C. § 303(a) (1994). In *Hiniker*, the PTO instituted reexamination based on prior art considered in the original examination (Howard). *Hiniker*, 150 F.3d at 1365. But the PTO's final decision relied on East (which had not been before the examiner in the initial examination) in finding the claims invalid. *Id.* at 1366. We held that our jurisdiction was only "over Hiniker's appeal from the [final] decision of the Board." *Id.* at 1367. While the final decision would have been subject to reversal if it had improperly relied only on prior art presented to the examiner,[4] any error in instituting reexamina-

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[3] Unlike § 314, the reexamination statute only provides that "[a] determination by the Commissioner that *no* substantial new question of patentability has been raised will be final and nonappealable." 35 U.S.C. § 303(c) (1994) (emphasis added).

[4] *See In re Portola Packaging, Inc.*, 110 F.3d 786, 789, *superseded by statute as recognized by In re NTP, Inc.*, 654 F.3d 1268, 1277 (Fed. Cir. 2011); *In re Recreative Techs. Corp.*, 83 F.3d 1394 (Fed. Cir. 1996). Congress subsequently amended the statute to provide for consideration of prior art before the examiner. 35 U.S.C. § 303.

tion based on the Howard reference was "washed clean during the reexamination proceeding," which relied on new art. *Id.* The fact that the petition was defective is irrelevant because a proper petition could have been drafted. The same is even clearer here, where § 314(d) explicitly provides that there is no appeal available of a decision to institute. There was no bar here to finding claims 10 and 14 unpatentable based on the Evans and/or Wendt references. The failure to cite those references in the petition provides no ground for setting aside the final decision.

Cuozzo argues that Congress would not have intended to allow the PTO to institute IPR in direct contravention of the statute, for example, on grounds of prior public use where the IPR statute permits petitions only on the basis of "prior art consisting of patents or printed publications." 35 U.S.C. § 311. The answer is that mandamus may be available to challenge the PTO's decision to grant a petition to institute IPR after the Board's final decision in situations where the PTO has clearly and indisputably exceeded its authority.

The PTO argues that our previous decisions preclude mandamus. In *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379, 1381 (Fed. Cir. 2014), we held that mandamus relief was not available to challenge the denial of a petition for IPR. Given the statutory scheme, there was no "'clear and indisputable right' to challenge a non-institution decision directly in this court," as required for mandamus. *Id.* And in *In re Procter & Gamble Co.*, 749 F.3d 1376, 1378–79 (Fed. Cir. 2014), we held that mandamus was not available to provide immediate review of a decision to

institute IPR. There was no "clear and indisputable right to this court's immediate review of a decision to institute an inter partes review, as would be needed for mandamus relief." *Id.* at 1379. Furthermore, that "[wa]s not one of the rare situations in which irremediable interim harm c[ould] justify mandamus, which is unavailable simply to relieve [the patentee] of the burden of going through the inter partes review." *Id.* (citation omitted). However, we did not decide the question of whether the decision to institute review is reviewable by mandamus after the Board issues a final decision or whether such review is precluded by § 314(d). *Id.* Nor do we do so now.

Even if § 314 does not bar mandamus after a final decision, at least "three conditions must be satisfied before [a writ of mandamus] may issue." *Cheney v. U.S. Dist. Court for the D.C.*, 542 U.S. 367, 380 (2004). "First, 'the party seeking issuance of the writ [must] have no other adequate means to attain the relief he desires.'" *Id.* (quoting *Kerr v. U.S. Dist. Court for the N. Dist. of Cal.*, 426 U.S. 394, 403 (1976) (alteration in original)). That condition appears to be satisfied since review by appeal is unavailable. "Second, the petitioner must satisfy 'the burden of showing that his right to issuance of the writ is clear and indisputable.'" *Id.* at 381 (internal quotations, citation, and alterations omitted). "Third, the issuing court, in the exercise of its discretion, must be satisfied that the writ is appropriate under the circumstances." *Id.* (citation omitted).

Here, Cuozzo has not filed a mandamus petition, but even if we were to treat its appeal as a request for

mandamus,[5] the situation here is far from satisfying the clear-and-indisputable requirement for mandamus. It is not clear that IPR is strictly limited to the grounds asserted in the petition. The PTO urges that instituting IPR of claims 10 and 14 based on the grounds for claim 17 was proper because claim 17 depends from claim 14, which depends from claim 10. Any grounds which would invalidate claim 17 would by necessary implication also invalidate claims 10 and 14. *See Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1344 (Fed. Cir. 2009) ("A broader independent claim cannot be nonobvious where a dependent claim stemming from that independent claim is invalid for obviousness."). The PTO argues that Garmin implicitly asserted that claims 10 and 14 were unpatentable when it asserted that claim 17 was unpatentable. Whether or not the PTO is correct in these aspects, it is at least beyond dispute there is no clear and indisputable right that precludes institution of the IPR proceeding. We need not decide whether mandamus to review institution of IPR after a final decision is available in other circumstances.

II

Cuozzo contends in addition that the Board erred in finding the claims obvious, arguing initially that the Board should not have applied the broadest reasonable interpretation standard in claim construction.

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[5] *See* 16 Charles A. Wright, Arthur R. Miller & Edward H. Cooper, *Federal Practice and Procedure* § 3932.1 (3d ed. 2012) ("Many cases illustrate the seemingly converse proposition that an appeal can substitute for a writ in the sense that an attempted appeal from an order that is nonappealable can be treated as a petition for a writ." (citations omitted)).

A

The America Invents Act ("AIA") created IPR, but the statute on its face does not resolve the issue of whether the broadest reasonable interpretation standard is appropriate in IPRs; it is silent on that issue. However, the statute conveys rulemaking authority to the PTO. It provides that "[t]he Director shall prescribe regulations," *inter alia*, "setting forth the standards for the showing of sufficient grounds to institute review," and "establishing and governing inter partes review and the relationship of such review to other proceedings " 35 U.S.C. § 316(a)(2), (a)(4). Pursuant to this authority, the PTO has promulgated 37 C.F.R. § 42.100(b), which provides that "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. § 42.100(b). Cuozzo argues that the PTO lacked authority to promulgate § 42.100(b) and that the broadest reasonable interpretation standard is inappropriate in an adjudicatory IPR proceeding. The PTO argues that 35 U.S.C. § 316 provides the necessary authority to the PTO to promulgate § 42.100(b) and that the broadest reasonable interpretation is appropriately applied in the IPR context.

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Before addressing the scope of the PTO's rulemaking authority, we consider the history of the broadest reasonable interpretation standard and the bearing of that history on the interpretation of the IPR statute. No section of the patent statute explicitly provides

that the broadest reasonable interpretation standard shall or shall not be used in any PTO proceedings.

Nonetheless, the broadest reasonable interpretation standard has been applied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings. A 1906 PTO decision explained, "[n]o better method of construing claims is perceived than to give them in each case the broadest interpretation which they will support without straining the language in which they are couched." *Podlesak v. McInnerney*, 1906 Dec. Comm'r Pat. 265, 258. For more than a century, courts have approved that standard. *See, e.g.*, *Miel v. Young*, 29 App. D.C. 481, 484 (D.C. Cir. 1907) ("This claim should be given the broadest interpretation which it will support "); *In re Rambus, Inc.*, 753 F.3d 1253, 1255 (Fed. Cir. 2014) ("Claims are generally given their 'broadest reasonable interpretation' consistent with the specification during reexamination." (citation omitted)); *In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004) ("Giving claims their broadest reasonable construction 'serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified.'" (quoting *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984))); *In re Morris*, 127 F.3d 1048, 1054 (Fed. Cir. 1997) ("[W]e reject appellants' invitation to construe either of the cases cited by appellants so as to overrule, *sub silentio*, decades old case law. It would be inconsistent with the role assigned to the PTO in issuing a patent to require it to interpret claims in the same manner as judges who, post-issuance, operate under the assumption the patent is valid. The process of patent prosecution is an interactive one."); *In*

re Carr, 297 F 542, 544 (D.C. Cir. 1924) ("For this reason we have uniformly ruled that claims will be given the broadest interpretation of which they reasonably are susceptible. This rule is a reasonable one, and tends not only to protect the real invention, but to prevent needless litigation after the patent has issued."); *In re Kebrich*, 201 F.2d 951, 954 (CCPA 1953) ("[I]t is well settled that the tribunals [of the PTO] and the reviewing courts in the initial consideration of patentability will give claims the broadest interpretation which, within reason, may be applied.").

This court has approved of the broadest reasonable interpretation standard in a variety of proceedings, including initial examinations, interferences, and post-grant proceedings such as reissues and reexaminations. Indeed, that standard has been applied in every PTO proceeding involving unexpired patents.[6] In doing so, we have cited the long history of the PTO's giving claims their broadest reasonable construction. *See, e.g.*, *Yamamoto*, 740 F.2d at 1571–72 (reexaminations); *In re Reuter*, 670 F.2d 1015, 1019 (CCPA 1981) (reissues); *In re Prater*, 415 F.2d 1393, 1404–05 (1969) (examinations); *cf. Reese v. Hurst*, 661 F.2d 1222, 1236 (CCPA 1981) (interferences). Applying the broadest reasonable interpretation standard "reduce[s] the possibility that, after the patent is

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[6] The claims of an expired patent are the one exception where the broadest reasonable interpretation is not used because the patentee is unable to amend the claims. *Rambus*, 753 F.3d at 1256 ("If, as is the case here, a reexamination involves claims of an expired patent, a patentee is unable to make claim amendments and the PTO applies the claim construction principles outlined by this court in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005)." (citations omitted)).

granted, the claims may be interpreted as giving broader coverage than is justified." *Reuter*, 670 F.2d at 1015 (quoting *Prater*, 415 F.2d at 1404–05).

There is no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years. Congress is presumed to legislate against the background of the kind of longstanding, consistent existing law that is present here. *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 110 (1991); *Procter & Gamble Co. v. Kraft Foods Global*, 549 F.3d 842, 848–49 (Fed. Cir. 2008) (improper to presume that congress would alter the backdrop of existing law *sub silentio*).

Moreover, Congress in enacting the AIA was well aware that the broadest reasonable interpretation standard was the prevailing rule. *See* 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (allowing written statements to be considered in inter partes review "should allow the Office to identify inconsistent statements made about claim scope—for example, cases where a patent owner successfully advocated a claim scope in district court that is broader than the 'broadest reasonable construction' that he now urges in an inter partes review"). It can therefore be inferred that Congress impliedly approved the existing rule of adopting the broadest reasonable construction.

Cuozzo argues that judicial or congressional approval of the broadest reasonable interpretation standard for other proceedings is irrelevant here because the earlier judicial decisions relied on the avail-

ability of amendment, and the AIA limits amendments in IPR proceedings.[7]

But this case does not involve any restriction on amendment opportunities that materially distinguishes IPR proceedings from their predecessors in the patent statute. Section 316(d)(1) provides that a patentee may file one motion to amend in order to "[c]ancel any challenged patent claim" or "[f]or each challenged claim, propose a reasonable number of substitute claims," 35 U.S.C. § 316(d)(1), though "[a]n amendment may not enlarge the scope of the claims of the patent or introduce new matter," *id.* § 316(d)(3). The PTO regulations provide that "[a] patent owner may file one motion to amend a patent, but only after conferring with the Board." 37 C.F.R. § 42.221(a). "The presumption is that only one substitute claim would be needed to replace each challenged claim, and it may be rebutted by a demonstration of need." *Id.*

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[7] *See, e.g.*, *Yamamoto*, 740 F.2d at 1571–72 ("An applicant's *ability to amend his claims* to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents." (emphasis added)); *Reuter*, 670 F.2d at 1019 ("It is well settled that claims before the PTO are to be given their broadest reasonable interpretation consistent with the specification during the examination of a patent application since the applicant may then amend his claims " (internal quotation marks omitted)); *Prater*, 415 F.2d at 1404–05 ("[T]his court has consistently taken the tack that claims yet unpatented are to be given the broadest reasonable interpretation consistent with the specification during the examination of a patent application since the applicant may then amend his claims "); *see also, e.g.*, *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009) ("As explained in the Manual of Patent Examining Procedure (MPEP) , Applicant always has the opportunity to amend the claims during prosecution " (internal quotation marks omitted)).

§ 42.221(a)(3). The statute also provides that "[a]dditional motions to amend may be permitted upon the joint request of the petitioner and the patent owner or as permitted by regulations prescribed by the Director." 35 U.S.C. § 316(d)(2). "A motion to amend may be denied where" the amendment either "does not respond to a ground of unpatentability involved in the [IPR] trial" or "seeks to enlarge the scope of the claims of the patent or introduce new subject matter." 37 C.F.R. § 42.221(a)(2).

Although the opportunity to amend is cabined in the IPR setting, it is thus nonetheless available. Here, the only procedural ground for rejecting the amendment that Cuozzo proposed was that it enlarged the scope of the claims, in violation of § 316(d)(3). A bar on post-issuance broadening has long been part of pre-IPR processes for which precedent approved use of the broadest reasonable construction. *See* 35 U.S.C. §§ 251 (reissue beyond two years), *id.* § 305 (reexamination). Thus, the only amendment restriction at issue in this case does not distinguish pre-IPR processes or undermine the inferred congressional authorization of the broadest reasonable interpretation standard in IPRs. If there are challenges to be brought against other restrictions on amendment opportunities as incompatible with using the broadest reasonable interpretation standard, they must await another case.

The inference of congressional approval of the longstanding PTO construction standard also is not undermined by the fact that IPR may be said to be adjudicatory rather than an examination. The repeatedly stated rationale for using the broadest reasona-

ble interpretation standard—that claim language can be modified when problems are identified in the PTO, *see supra* note 7—does not turn on whether the PTO identifies the problems by adjudication or by examination. Indeed, interference proceedings are also in some sense adjudicatory, *see Brand v. Miller*, 487 F.3d 862, 867–68 (Fed. Cir. 2007) (characterizing interference proceedings as adjudicatory and holding that the Board's decision be reviewed on the record), yet interference proceedings use a variant of the broadest reasonable interpretation standard, *see Genentech, Inc. v. Chiron Corp.*, 112 F.3d 495, 500 (Fed. Cir. 1997) ("In the absence of ambiguity, it is fundamental that the language of a count should be given the broadest reasonable interpretation it will support . " (quoting *In re Baxter*, 656 F.2d 679, 686 (CCPA 1981))). We conclude that Congress implicitly approved the broadest reasonable interpretation standard in enacting the AIA.

2

Even if we were to conclude that Congress did not itself approve the broadest reasonable interpretation standard in enacting the AIA, § 316 provides authority to the PTO to adopt the standard in a regulation. Section 316(a)(2) provides that the PTO shall establish regulations "setting forth the standards for the showing of sufficient grounds to institute a review " 35 U.S.C. § 316(a)(2). Section 316(a)(4) further provides the PTO with authority for "establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title." *Id.* § 316(a)(4). The broadest reasonable interpretation standard affects both the PTO's

determination of whether to institute IPR proceedings and the proceedings after institution and is within the PTO's authority under the statute.

Because Congress authorized the PTO to prescribe regulations, the validity of the regulation is analyzed according to the familiar *Chevron* framework. *See United States v. Mead Corp.*, 533 U.S. 218, 226–27 (2001); *Wilder v. Merit Sys. Prot. Bd.*, 675 F.3d 1319, 1322 (Fed. Cir. 2012). Under *Chevron*, the first question is "whether Congress has directly spoken to the precise question at issue." *Chevron, U.S.A. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842 (1984); *accord Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1337 (Fed. Cir. 2008) (quoting *Hawkins v. United States*, 469 F.3d 993, 1000 (Fed. Cir. 2006)). If the statute is ambiguous, the second question is "whether the agency's interpretation is based on a permissible construction of the statutory language at issue." *Cooper*, 536 F.3d at 1338 (quoting *Hawkins*, 469 F.3d at 1000).

In the text of the IPR statute, Congress directed the PTO in IPR proceedings to determine the "patentability" of any "claim" put in issue. 35 U.S.C. § 318(a); *see also id.* §§ 311(b), 314(a). Congress was silent on the subject of how the PTO should construe the "claim," and, if we assume *arguendo* that Congress did not itself approve (or reject) the broadest reasonable interpretation standard, step one of *Chevron* is satisfied. We proceed to step two of the *Chevron* analysis. The regulation here presents a reasonable interpretation of the statute.

We do not draw that conclusion from any finding that Congress has newly granted the PTO power to interpret substantive statutory "patentability" standards. Such a power would represent a radical change in the authority historically conferred on the PTO by Congress, and we could not find such a transformation effected by the regulation-authorizing language of § 316 any more than we could infer a dramatic change in PTO claim interpretation standards through the general language of the IPR provisions. Nevertheless, the language of § 316 readily covers the specific action the PTO has taken here, which is the opposite of a sharp departure from historical practice. The PTO has merely embodied in a regulation the approach it has uniformly applied, even without rulemaking, when it is interpreting "claims" to assess patentability. In so doing, the PTO has provided a uniform approach to be followed by the numerous possible three-member combinations of administrative patent judges that decide IPR proceedings.

The adopted standard is reasonable not just because of its pedigree but for context-specific reasons. As discussed above, the policy rationales for the broadest reasonable interpretation standard in pre-IPR examination proceedings apply as well in the IPR context. The statute also provides for the PTO to exercise discretion to consolidate an IPR with another proceeding before the PTO. *See* 35 U.S.C. § 315(d). The possibility of consolidating multiple types of proceedings suggests a single claim construction standard across proceedings is appropriate. 37 C.F.R. § 42.221(a) reflects a permissible construction of the statutory language in § 316(a). Even if approval of the broadest reasonable interpretation standard were not

incorporated into the IPR provisions of the statute, the standard was properly adopted by PTO regulation.

B

The second issue is whether the Board here properly construed the claims under the broadest reasonable interpretation standard. We review the Board's claim construction according to the Supreme Court's decision in *Teva Pharmaceuticals U.S.A., Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015). We review underlying factual determinations concerning extrinsic evidence for substantial evidence and the ultimate construction of the claim de novo. *See id.* Because there is no issue here as to extrinsic evidence, we review the claim construction de novo.

Claim 10 includes the following limitation: "a speedometer integrally attached to said colored display." '074 patent col. 7 l. 10. Cuozzo argues that the board improperly construed the phrase "integrally attached." The Board construed "integrally attached" as meaning "discrete parts physically joined together as a unit without each part losing its own separate identity." J.A. 9. Cuozzo contends that the correct construction of "integrally attached" should be broader—"joined or combined to work as a complete unit." Appellant's Br. 33. Before the Board, Cuozzo stated that its construction would cover "a display that both functionally and structurally integrates the speedometer and the colored display, such that there only is a single display." J.A. 10. Cuozzo argues that the Board's claim construction improperly excludes a single-LCD embodiment of the invention wherein the speedometer and the speed limit indicator are on the same LCD.

The phrase "integrally attached" was not included in either the specification or the claims as originally filed. The phrase was introduced by an amendment to claim 10 to overcome a rejection that the claim was anticipated under § 102(e) by Awada.[8]

We see no error in the Board's interpretation. The word "attached" must be given some meaning. As the Board explained, it would "be illogical to regard one unit as being 'attached' to itself." J.A. 9. The specification further supports the Board's construction that the speedometer and the speed limit are independent—it repeatedly refers to a speed limit indicator independent of any speedometer and states that "the present invention essentially comprises a speed limit indicator comprising a speed limit display and an at-

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[8] Claim 10 of the '074 patent corresponds to the claim numbered as claim 11 during patent prosecution.

Prior to amendment, claim 10 included the limitation: "a speedometer attached to said speed limit display." J.A. 100. Cuozzo's proposed amendment to that limitation recited "a speedometer integrally attached to said colored display." *Id.* In proposing the amendment, Cuozzo argued that the amendment overcame Awada because

> "[t]he cited Awada (6,515,596) lacks a speedometer integrally attached to the speed limit display
>
> The vehicle's driver is forced to look in two separate locations and then mentally compare the speed limit with his vehicle's speed to determine how close he is to speeding if he is not already doing so sufficiently to activate the light and/or tone. In contrast, the present invention provides an integrated display allowing the driver to immediately ascertain both his speed and its relation to the prevailing speed limit."

J.A. 104–05.

tached speedometer." '074 patent col. 2 ll. 52–54. The Board did not err in its claim construction.

C

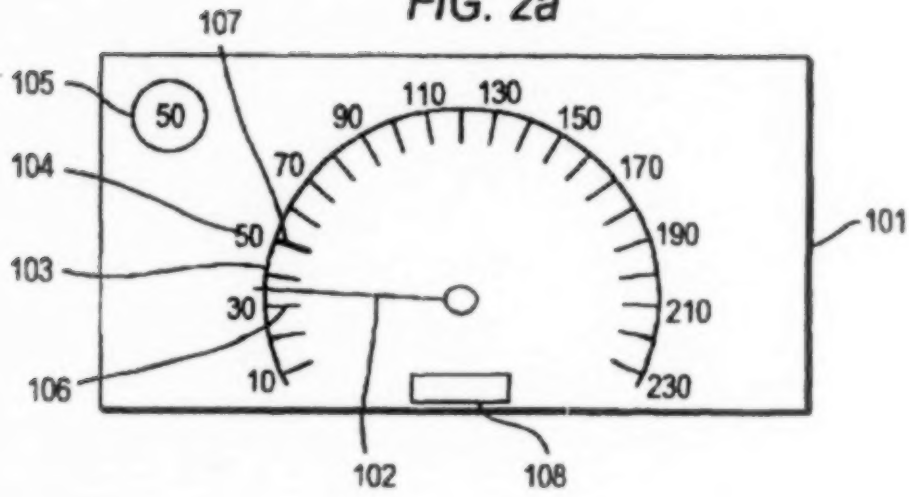
The third question is whether claims 10, 14, and 17 were obvious. We review the Board's factual findings for substantial evidence and review its legal conclusions de novo. *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1361 (Fed. Cir. 2012). The ultimate determination of obviousness under § 103 is a question of law based on underlying factual findings. *Id.* (citing *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966)). What a reference teaches and the differences between the claimed invention and the prior art are questions of fact which we review for substantial evidence. *Id.* (citations omitted). Cuozzo states that, "[f]or the purposes of this appeal, claims 10, 14, and 17 rise and fall together." Appellant Br. 17 n.1. Therefore, we analyze only claim 10.

Even under its own claim construction, Cuozzo agrees that the disclosed mechanical embodiment with a red colored filter is within the claim scope. In the analog embodiment disclosed in the specification, a red filter is superimposed on a white speedometer so that "speeds above the legal speed limit are displayed in red while the legal speeds are displayed in white " '074 patent col. 5 ll. 35–37. A GPS unit tracks the vehicle's location, and the speed limit at that location is determined. The red filter automatically rotates in response so that speeds over the legal speed limit are displayed in red.

It is a "long-established rule that 'claims which are broad enough to read on obvious subject matter are unpatentable even though they also read on nonobvious subject matter.'" *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1328 n.4 (quoting *In re Lintner*, 458 F.2d 1013, 1015 (CCPA 1972)) (internal alterations omitted). Thus if the mechanical embodiment is obvious, claim 10 is obvious. The Board determined that the mechanical embodiment was obvious over Aumayer, Evans, and Wendt. We see no error in that determination.

Aumayer discloses a display which shows a vehicle's speed and indicates the current speed limit by highlighting the appropriate mark on a speed scale or by producing a scale mark of a different length or color. Aumayer col. 1 l. 12, col. 5 ll. 19–31. Aumayer further teaches obtaining the current location of a vehicle from an on-board GPS, *id.* Abstract, col. 4 ll. 41–45, and "updating the speed limit data stored in the vehicle by means of a radio connection by means of a data carrier," *id.* col. 2 ll. 54–57. Figure 2a provides an illustration:

FIG. 2a



Element 105 displays a maximum speed limit, and element 107 highlights this same speed limit on the speed scale. The pointer designated by element 102 displays the vehicle's current speed.

Evans discloses a transparent plate that "bears warning indicia, for example, a special color and/or a plurality of marks, spaces, ridges, etc. so that when the speedometer dial is viewed through it, a portion of the dial representing speeds in excess of a predetermined limit are demarked by the warning indicia." Evans col. 2 ll. 3–8. The plate is generally fixed but can be removed and recut and/or repositioned in order to extend over a different range of numbers on the dial. Figure 3 is illustrative:

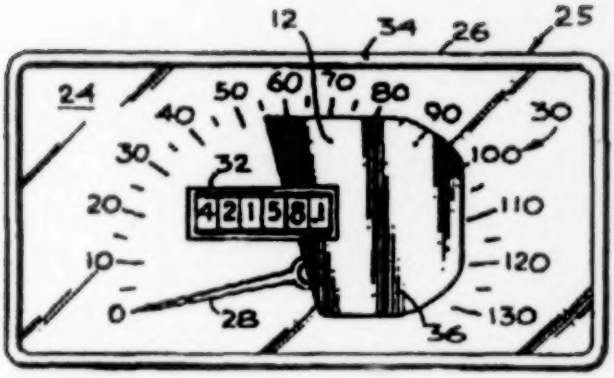


Fig. 3

Wendt discloses a speed limit indicator which is attachable by a suction cup to the cover of a speedometer. The indicator has a pointer which is rotatable to indicate the current speed limit.

Cuozzo argues that Aumayer, Evans, and Wendt do not disclose "continuously updat[ing] the delineation of which speed readings are in violation of the speed limit at a vehicle's present location," as required by claim 10. '074 patent col. 7 ll. 6–9. In particular, Cuozzo contends that Aumayer discloses updating speed limits associated with a region and not with a geographic position determined by the GPS locating device. The Board found that "it is indisputable that Aumayer displays the speed limit for the current location of a vehicle as determined by a GPS receiver, and not merely the speed limit for a certain class of road in a given region without any connection to the vehicle's current location." J.A. 34. The Board's finding is supported by substantial evidence.

Cuozzo also argues that there is no motivation to combine Aumayer, Evans, and Wendt because Aumayer is an automatic device while Evans and Wendt are

manual devices. However, "[a]pplying modern electronics to older mechanical devices has been commonplace in recent years." *Leapfrog Enters., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1161 (Fed. Cir. 2007). It would have been obvious to combine Aumayer, Evans, and Wendt to arrive at the analog embodiment. Cuozzo does not contend that any secondary considerations argue against a finding of obviousness.

Claim 10 would have been obvious over Aumayer, Evans, and Wendt because it encompasses the analog embodiment of the invention discussed in the specification. We need not address whether claim 10 is also obvious over Tegethoff, Awada, Evans, and Wendt, as the Board also concluded.

D

Finally, we consider whether the Board properly denied Cuozzo's motion for leave to amend, finding that Cuozzo's substitute claims would enlarge the scope of the patent. Cuozzo moved to substitute claim 10 with the following substitute claim 21:

> A speed limit indicator comprising:
> a global positioning system receiver determining a vehicle's present location, a vehicle's present speed and a speed limit at the vehicle's present location;
> a display controller connected to said global positioning system receiver, wherein said display controller adjusts a colored display in response to signals indicative of the speed limit at the vehicle's present location from said global positioning system receiver to continuously update the de-

lineation of which speed readings determined by the global positioning system receiver are in violation of the speed limit at the vehicle's present location; and

a speedometer integrally attached to said colored display,

wherein the speedometer comprises a liquid crystal display, and

wherein the colored display is the liquid crystal display.

J.A. 357–58.

The statute and PTO regulation bar amendments which would broaden the scope of the claims. 35 U.S.C. § 316(d)(3); 37 C.F.R. § 42.221(a)(2)(ii). In the past, we have construed this requirement in the context of reissues and reexaminations. In both contexts, we have applied the test that a claim "is broader in scope than the original claims if it contains within its scope any conceivable apparatus or process which would not have infringed the original patent." *Tillotson, Ltd. v. Walbro Corp.*, 831 F.2d 1033, 1037 n.2 (Fed. Cir. 1987) (in the reissue context); *see In re Freeman*, 30 F.3d 1459, 1464 (Fed. Cir. 1994) (quoting *Tillotson*, 831 F.2d at 1037 n.2) (in the reexamination context). The same test applies in the context of IPRs. Therefore, we inquire whether Cuozzo's proposed substitute claims would encompass any apparatus or process that would not have been covered by the original claims.[9] The Board held that claim 21

[9] Cuozzo argues that its substitute claim is narrowing because it is limited to the single-LCD embodiment and no longer would encompass the mechanical embodiment. This argument misstates the test for broadening. "[A] claim is broadened if it is broader in any

was broadening because it would encompass a single-LCD embodiment wherein both the speedometer and the colored display are LCDs, which was not within the original claims. Cuozzo argues that the proposed claims were not broadening and instead copied limitations from two dependent claims in the patent.

Based on the proper construction of the phrase "integrally attached," we agree with the PTO that Cuozzo's proposed amendment is broadening. Cuozzo itself argues that the motion to amend was denied solely because of the PTO's interpretation of "integrally attached," and argues only that a remand is necessary if we were to reverse the Board's claim construction (which we have not done). Cuozzo admits that the Board's construction of "integrally attached" "excludes the single LCD embodiment of the invention in which the speedometer includes an LCD that is the colored display." Appellant Br. 33. Proposed claim 21 recites "a speedometer integrally attached to said colored display, wherein the speedometer comprises a liquid crystal display, and wherein the colored display is *the* liquid crystal display." J.A. 358 (emphasis added). The word "the," emphasized in the quoted language above, requires a single-LCD embodiment that includes both the speedometer and the colored display in one LCD. Because proposed claim 21 would encompass an embodiment not encompassed by claim 10, it is broadening, and the motion to amend was properly denied.

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respect than the original claim, even though it may be narrowed in other respects." *In re Rogoff*, 261 F.2d 601, 603 (CCPA 1958); *see also Senju Pharm. Co., Ltd. v. Apotex Inc.*, 746 F.3d 1344, 1352 (Fed. Cir. 2014).

AFFIRMED

NEWMAN, *Circuit Judge*, dissenting.

I respectfully dissent, for the panel majority's rulings are contrary to the Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284 (2011) (effective September 16, 2012).

The America Invents Act established new post-issuance patent review systems, for the purpose of "providing quick and cost effective alternatives to litigation." H.R. Rep. No. 112–98, pt. 1, at 48 (2011). This purpose is achieved by new forms of proceedings in the Patent and Trademark Office, whereby a new adjudicatory body, called the Patent Trial and Appeal Board (PTAB), serves as a surrogate for district court litigation of patent validity. These adjudicative proceedings in the PTO are designed "to review the validity of a patent in a court-like proceeding." H.R. Rep. No. 112–98, pt. 1, at 8. The goal is improved service to technology-based innovation, and thus to the national interest in creative advance and industrial growth. The panel majority thwarts the statutory plan in several ways.

First, the panel majority holds that the PTAB, in conducting these adversarial post-grant proceedings, need not and should not apply the same patent claim construction as is required to be applied in the courts. Instead, the panel majority ratifies treating the claims of an issued patent as if they are the proposed claims in the patent application examination stage, when proposed claims are subject to the "broadest reasonable interpretation" examination ex-

pedient. The panel majority thus precludes achieving PTAB adjudication of patent validity comparable to that of the district courts, where validity is determined on the legally correct claim construction, not an artificial temporary "broadest" construction. The "broadest" construction is designed to facilitate examination before grant, not to confound litigation after grant.

As a further departure from the legislative plan, the majority holds that the "final and nonappealable" statutory provision relating to whether to institute post-grant proceedings means that "§ 314(d) must be read to bar review of all institution decisions, even after the Board issues a final decision." Maj. op. at 7. This restraint could bar review of information material to the final PTAB judgment, and may in turn impede full judicial review of the PTAB's decision. This further diminishes the role of the PTO as a reliable arbiter of patent validity.

Several other aspects of the America Invents Act are confusingly treated in the majority opinion. For example, as Cuozzo points out, here the PTAB decision relies on arguments and evidence that had not been raised in the Petition to Institute, although the statute requires that all arguments and evidence must be presented in the Petition. The panel majority states that "[t]he fact that the petition was defective is irrelevant because a proper petition could have been drafted." Maj. op. at 8. Such casual disregard of this statutory provision cannot have been intended, by the legislation, and sets a dubious precedent for responsible proceedings.

The post-grant proceedings established by the America Invents Act were intended as a far-reaching surrogate for district court validity determinations. The premise is that an adversarial evidentiary proceeding in the PTO can reliably resolve most issues of patent validity, without the expense and delay of district court litigation, and sometimes even before infringement has occurred. The court today moves these new proceedings in directions inimical to the content and provisions of the America Invents Act, impeding the statutory purpose.

I

PTO Post-Grant Proceedings as a Surrogate for District Court Litigation

During six years of discussion, hearings, negotiation, and collaboration among the communities of technology-based industry, inventors, legislators, scholars, bar associations, and the concerned public, solution was sought to a major problem confronting United States industrial advance: the burgeoning patent litigation and the accompanying cost, delay, and overall disincentive to investment in innovation.

The fruit of these efforts, the America Invents Act, is a thoughtful, creative, and ambitious statute whose cornerstone is the shift of patent validity disputes from the courts to the expert agency that previously was concerned primarily with examination for patentability. Previously, disputes of validity of issued patents were the exclusive province of the courts. Now, the America Invents Act not only authorizes the PTO to conduct litigation-type adversarial proceedings to

decide patent validity, but also authorizes such proceedings even when there is no "controversy" under Article III.

The premise of the America Invents Act is that these new PTO proceedings will provide a reliable early decision, by technology-trained patent-savvy adjudicators, with economies of time and cost. *See* 157 Cong. Rec. S7413 (Nov. 14, 2011) (statement of Rep. Smith) ("The new transitional program . creates an inexpensive and speedy alternative to litigation—allowing parties to resolve [disputes] rather than spending millions of dollars in litigation costs.").

The goal is to improve the climate for investment and industrial activity, while facilitating the removal of patents that were improvidently granted. *See* Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080, 7081 (Feb. 10, 2012) ("The purpose is to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs."). An obstacle to achieving this purpose is the refusal of the PTO to construe patent claims in accordance with the law of claim construction that is applied in the courts—an obstacle now endorsed by the Federal Circuit.

Claim construction is the first step in determining the validity of patent claims. In an adjudicatory proceeding for issued patents, the claims must be construed in accordance with law. In establishing this new adjudicatory system in the PTO, the record shows no debate about whether the PTO, in deciding the validity of issued patents, should apply a different law

from the law applied in the courts. The America Invents Act plainly contemplated that the new PTO tribunal would determine validity of issued patents on the legally and factually correct claim construction, not on a hypothetical "broadest" expedient as is used in examination of proposed claims in pending applications.

The America Invents Act, in authorizing the PTO to determine validity by conducting adversarial proceedings, including discovery, depositions, witnesses, experts, briefs and arguments, is designed to reach the correct result in the PTO, the same correct result as in the district courts. *See* H.R. Rep. No. 112–98, pt. 1, at 75 (describing these new post-grant proceedings as "adjudicative systems" comparable to district court validity determinations). This legislative purpose fails when the PTO tribunal uses a different standard of claim construction, a standard that does not require the correct claim construction.

The legislative record contains no support for the majority's view that Congress intended that the new PTO tribunal need not construe the claims of issued patents correctly. The legislative record does not show a congressional intent that issued patents should be more readily invalidated in these PTO proceedings than in the courts, by broadening the claims into invalidity. This PTO procedure distorts, indeed defeats, the legislative purpose of providing an administrative surrogate for district court determination of patent validity.

Patent claims must be correctly construed for validity as for infringement

The construction of patent claims, their meaning and their scope, is the foundation of patent law. As stated in *Lighting Ballast Control LLC v. Phillips Electronics North American Corp.*, "[l]egal doctrine in patent law starts with the construction of patent claims, for the claims measure the legal rights provided by the patent." 744 F.3d 1272, 1282 (Fed. Cir. 2014) (vacated on other grounds). These legal rights must be the "correct" rights, not some fuzzy "broadest" measure.

Patent claims are construed as a matter of law, as limited by the specification, the prosecution history, and the prior art. *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc). Because exclusive rights are determined thereby, claims are construed the same way for validity as for infringement. No statute, no precedent, authorizes or even tolerates broader construction for validity than for infringement. It cannot have been contemplated in the America Invents Act that instead of applying the correct claim construction for adjudication of validity, the PTAB would seek an undefined broadest interpretation to the claims, and then decide the validity of broadest claims that were never granted to the applicant.

The question is not whether a "broadest" construction protocol has a place in the examination of pending applications, where proposed claims are readily amended in the give-and-take of patent prosecution. However, after the patent has issued, announcing a property right on which the patentee and the public

rely, the claims must be construed correctly. Absent commitment to the correct construction, this new forum for adjudication fails its purpose of providing an effective determination of validity. This failure cannot be what the legislators and supporters of the America Invents Act intended when they authorized the PTO to establish an administrative tribunal to determine patent validity through adjudicatory process.

"Broadest reasonable interpretation" is an examination expedient, not the law of claim construction

The broadest reasonable interpretation is authorized for use in the examination of pending applications, as the applicant and the examiner interact to define the invention so as to distinguish or avoid overlap with prior art. *See In re Zletz*, 893 F.2d 319, 321-22 (Fed. Cir. 1989) ("an essential purpose of patent examination is to fashion claims that are precise, clear, correct, and unambiguous.") *Id.* The purpose of construing claims broadly during examination is to restrict or clarify the applicant's proposed claims, not to broaden them. *See In re Yamamoto*, 740 F.2d 1569, 1571 (the PTO broadly interprets claims during examination since the applicant may "amend his claims to obtain protection commensurate with his actual contribution to the art") (quoting *In re Prater*, 415 F.2d 1393, 1404–05 (CCPA 1969)); *see generally* MPEP § 2111 (requiring the application of the "broadest reasonable interpretation" to pending claims).

Giving proposed claims their broadest reasonable interpretation "serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified." *Yamamoto*, 740 F.2d at 1571; *see In re Hyatt*, 211 F.3d 1367, 1372

(Fed. Cir. 2000) (the broadest interpretation "is not unfair to applicants, because 'before a patent is granted the claims are readily amended as part of the examination process'") (quoting *Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987)).

The "broadest" protocol aids the applicant and the examiner in defining claim scope during prosecution. It is not a claim construction on which substantive legal rights of validity or infringement are based, or are intended to be based. In contrast, applying the broadest interpretation to issued claims in these PTO post-grant validity determinations does not serve to restrict or clarify claims. Instead, this activity now appears to be used by the PTAB to broaden issued claims inappropriately, for claims can be broadened until they read on prior art—the result about which Cuozzo complains.

These post-grant proceedings provide no right to amend the issued claims, and permission to amend is restricted

A critical difference between the standard procedure of examination of pending applications, and these post-grant proceedings, is the ready pre-grant availability of amendment of the claims. Patent prosecution is a fluid exchange between the examiner and the applicant, and the expedient of broadest reasonable interpretation during examination is based on, and depends on, the applicant's right to amend the claims. In *Yamamoto* the court stressed this difference from judicial proceedings:

> An applicant's ability to amend his claims to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents. When an application is pending in the PTO, the applicant has the ability to correct errors in claim language and adjust the scope of claim protection as needed. This opportunity is not available in an infringement action in district court.

740 F.2d at 1572.

In routine examination and reexamination, the amendment of a claim is a back-and-forth process between an examiner and the applicant, who may present amendments and new claims. Reexamination is "conducted according to the procedures established for initial examination under the provisions of Sections 132 and 133." 35 U.S.C. § 305. The focus of reexamination proceedings "returns essentially to that present in an initial examination." *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985).

It is significant that when claims in reexamination are not eligible for amendment, as when the patent has expired, the PTO instructs examiners not to use the broadest reasonable interpretation. MPEP § 2258G states:

> In a reexamination proceeding involving claims of an expired patent, claim construction pursuant to the principle set forth by the court in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005) (words of a claim "are generally given their ordinary and customary meaning" as understood by a person of ordinary skill in the art in question at

the time of the invention) should be applied since the expired claims are not subject to amendment.

The panel majority is incorrect in concluding that Inter Partes Review proceedings are not materially different with respect to the opportunity to amend. Amid the Inter Partes Review restrictions, patent owners are limited to "one motion to amend," and are presumptively limited to substituting one issued claim for one amended claim. 37 C.F.R. § 42.221(a)(3). There is no right of amendment in these new post-grant proceedings, and motions to amend are rarely granted.[1] The majority trivializes this difference, curiously stating that these post grant proceedings do not "involve any restriction on amendment opportunities that materially distinguishes IPR proceedings from their predecessors in the patent statute." Maj. op. at 15. That is incorrect. Amendment in post-grant validity proceedings is not of right, and thus far appears to be almost entirely illusory.

It is beyond debate that Inter Partes Review does not allow the kind of iterative amendment process that is part of the "broadest reasonable interpretation" protocol in examination. The restricted role of amendment in the America Invents Act proceedings comports with the intended and expected "correct" claim construction, not the broadest claim construc-

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[1] *See* Andrew Williams, *PTAB Update – The Board Grants Its Second Motion to Amend (At Least in Part)*, PATENT DOCS (Jan. 8, 2015), http://www.patentdocs.org/2015/01/ptab-update-the-board-grants-its-second-motion-to-amend-at-least-in-part.html; *see also* Jennifer E. Hoekel, *PTAB Grants First Opposed Motion to Amend Claims-Patent Trial and Appeal Board*, THE NATIONAL LAW REVIEW (January 14, 2015), http://www.natlawreview.com/article/ptab-grants-first-opposed-motion-to-amend-claims-patent-trial-and-appeal-board.

tion. It comports with district court practices in adjudication, not PTO practices in examination.

The America Invents Act designed these post-grant review proceedings as an adjudicatory process

The majority discounts the adjudicatory purpose of these new PTO proceedings. The majority states that "[t]he inference of congressional approval of the longstanding PTO construction standard also is not undermined by the fact that IPR may be said to be adjudicatory rather than an examination." Maj. op. at 16. To the contrary, these differences between adjudication and examination are the fruit of six years of planning, to produce a new adversarial system in the PTO.

The extensive congressional criticism of the now-discarded inter partes reexamination belies the majority's "inference" that Congress silently approved practices it was not explicitly adopting. These discarded practices resulted in lengthy delays as well as indecisive results. *See Inter Partes Reexamination Filing Data* *1 (USPTO Nov. 22, 2013), *available at* http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf. (last visited June 16, 2015) (average pendency of inter partes reexamination was three years).

The America Invents Act was designed to remedy these flaws, and to provide an adjudicatory proceeding with the benefits of adversary participation. Thus the Act provides for discovery, witnesses, argument, and other litigation procedures. The House Report explained that Congress intended to "convert" inter partes reexamination "from an examinational proceeding to an adjudicative proceeding." H.R. Rep. No. 112–98, pt. 1, at 46–48 (2011); *id.* at 75 (describing post-

grant proceedings and Inter Partes Review as "adjudicative systems"). The House Report states:

> Unlike reexamination proceedings, which provide only a limited basis on which to consider whether a patent should have issued, the post-grant review proceeding permits a challenge on any ground related to invalidity under section 282. The intent of the post-grant review process is to enable early challenges to patents The Committee believes that this new, early-stage process for challenging patent validity will make the patent system more efficient and improve the quality of patents and the patent system.

Id. at 46.

Inter partes review under the America Invents Act is designed to achieve the benefits of validity proceedings in the district courts. In the PTAB's words, "[a]n inter partes review is neither a patent examination nor a patent reexamination," but is "a trial, adjudicatory in nature [which] constitutes litigation." *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013-00197, Paper No. 50, at 4 (Feb. 13, 2014). The PTO's insistence on applying the same artificial claim construction methodology as in pre-grant examination is curious, indeed a negation of the purpose and obligation of this new adjudicatory process.

To conduct this adjudicatory process as the intended surrogate for court actions, the PTAB must apply the same law as is required of the district courts. By imposing the protocol of broadest reasonable interpretation, the PTO and the panel majority frustrate the legislative purpose. The PTO tribunal cannot serve as a surrogate for district court litigation if the PTAB

does not apply the correct claim construction, but deliberately applies a "broadest" construction. The possibility of error, the unreliability of result, cannot be salvaged by the possibility that sometimes it may not matter to the result. These new procedures will become no more than a tactical vehicle for delay, harassment, and expenditure, despite the Congressional warning:

> While this amendment is intended to remove current disincentives to current administrative processes, the changes made by it are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation.

H.R. Rep. No. 112–98, pt. 1, at 47 (2011).

The "broadest reasonable interpretation" examination protocol has no role in adjudication of validity in the courts. Correct adjudication of validity requires correct claim construction, not the broadest construction. These new PTO proceedings have no place for this inapplicable expedient.

The public notice function of claims is defeated by a "broadest" interpretation of claim scope

These new proceedings are intended to provide an efficient test of the notice to the public as to what is covered by the claims. The public interest is in the actual scope of the claims, correctly construed—not their broadest interpretation. Uniformity in claim construction is critical to avoid "a zone of uncertainty which enterprise and experimentation may enter only

at the risk of infringement claims [that] would discourage invention only a little less than unequivocal foreclosure of the field." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996).

Section 112(b) of Title 35 states: "The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention." As the Cuozzo situation illustrates, the broadest interpretation is in tension with the role of the specification, as well as the prosecution history, which not only provides information to the public about the scope and meaning of the claims, but also is a long-recognized source of claim interpretation and limitation. *Biogen Idec, Inc. v. GlaxoSmithKline LLC*, 713 F.3d 1090, 1095 (Fed. Cir. 2012); *see Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996) (the prosecution history "constitute[s] the public record of the patentee's claim, a record on which the public is entitled to rely.") Decades of precedent instruct how claims are construed and how validity is determined when litigating over issued patents. If these new post-grant proceedings are to serve the purposes intended by the America Invents Act, the claims of issued patents must be construed the same way in these PTO proceedings as in the courts.

The broadest interpretation is irreconcilable with the traditional obligations of claim construction and public notice. In the public interest, it is unacceptable to create a situation whereby the tribunals charged with determination of patent validity as a matter of law, that is, the PTAB and the district court, could validly reach a different result on the same evidence.

Agency rulemaking authority is to implement the statute, not to change the statute

The America Invents Act directs the PTO to promulgate regulations "establishing and governing" these proceedings "and the relationship of such review to other proceedings under this title." 35 U.S.C. §§ 316(a)(4), 326(a)(4). This authority relates to the "Conduct of post-grant review" and "Conduct of inter partes review." The word "conduct" connotes procedure. Section 316 identifies areas whose conduct is assigned to the PTO, including public access to proceedings, discovery rules, and the right to a hearing. I discern no authorization to the PTO to change the law of how claims of issued patents are construed. *See generally* H.R. Rep. No. 112–98, pt. 1, at 76.

The panel majority states that it is merely deferring to the PTO's interpretation of its statutory authority. Deference is not unlimited; the Court advises that "although an agency's interpretation of the statute under which it operates is entitled to some deference, 'this deference is constrained by our obligation to honor the clear meaning of a statute, as revealed by its language, purpose, and history.'" *Se. Cmty. Coll. v. Davis*, 442 U.S. 397 (1979) (quoting *Teamsters v. Daniel*, 439 U.S. 551, 566 n. 20 (1979)); *see Muuwakkil v. Office of Pers. Mgmt.*, 18 F.3d 921, 925 (Fed. Cir. 1994) ("When an agency's interpretation of a statute it is entrusted to administer is contrary to the intent of Congress, as divined from the statute and its legislative history, we owe it no deference.").

In promulgating 37 C.F.R. § 42.300(b) to authorize and require the broadest reasonable interpretation for these new proceedings, the PTO departed from the purpose of the America Invents Act to create a

surrogate for district court litigation. Regulations must serve the statute they seek to implement. *See Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 213–14 (1976) ("The rulemaking power granted to an administrative agency charged with the administration of a federal statute is not the power to make law. Rather, it is the power to adopt regulations to carry into effect the will of Congress as expressed by the statute.").

The America Invents Act refers to the "proper meaning of a patent claim," *see* 35 U.S.C. § 301(d) (referring to "the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324"). The "proper meaning" is the correct meaning, applying the law of claim construction. The new PTO regulation authorizing "broadest reasonable interpretation" in these post-grant proceedings defeats "the will of Congress as expressed in the statute," *Ernst & Ernst*, 425 U.S. at 214, for it defeats the purpose of substituting administrative adjudication for district court adjudication. The curious result is that patentees are required in these new PTO proceedings to defend the validity of claims that are construed to be of broader scope than the claims granted upon PTO examination.

II

The decision to institute Inter Partes Review

The America Invents Act states that the PTO's decision whether to institute review is "final and non-appealable." 35 U.S.C. § 314(a). The majority states that "On its face, the provision is not directed to precluding review only before a final decision. It is written to exclude all review of the decision whether to institute review." Maj. op. at 6. The statute does

not mean that all information presented with the petition to institute is barred from consideration on appeal of the final decision.

The stated purpose of the "final and nonappealable" provision is to control interlocutory delay and harassing filings. However, review is not barred of material aspects that were decided in connection with the petition to institute. In *Bowen v. Michigan Academy of Family Physicians*, 476 U.S. 667, 670 (1986), the Court explained that "[f]rom the beginning 'our cases [have established] that judicial review of a final agency action by an aggrieved person will not be cut off unless there is persuasive reason to believe that such was the purpose of Congress'," (alteration in original) (quoting *Abbott Labs. v. Gardner*, 387 U.S. 136, 140 (1967)).

In *Block v. Community Nutrition Institute*, 467 U.S. 340 (1984), the Court summarized the principle of judicial review of agency determinations:

> Whether and to what extent a particular statute precludes judicial review is determined not only from its express language, but also from the structure of the statutory scheme, its objectives, its legislative history, and the nature of the administrative action involved.

Id. at 345. In this case, Cuozzo argues that the petition to institute was improperly granted. The statute does not preclude judicial review of whether the statute was applied in accordance with its legislated scope.

Conclusion

The America Invents Act was enacted to enable the PTO to resolve validity issues, at reduced cost and de-

lay. This goal is defeated by the court's preservation of the PTO's new regulatory discrepancy between validity determinations under the America Invents Act and in the district courts. The purpose of invigorating the incentive role of patents, by providing a faster, cheaper, and reliable determination of the validity of issued patents is thus undercut—to no benefit, and in derogation of this once-promising legislative initiative.

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

IN RE: CUOZZO SPEED TECHNOLOGIES, LLC,
Appellant

2014-1301

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2012-00001.

ON PETITION FOR REHEARING EN BANC

Before PROST, Chief Judge, NEWMAN, LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN, and HUGHES, *Circuit Judges*.

PER CURIAM.

O R D E R

Appellant Cuozzo Speed Technologies, LLC, filed a petition for rehearing en banc. A response to the petition was invited by the court and filed by Intervenor Michelle Lee, Director of the United States Patent and Trademark Office. The petition and response were referred to the panel that heard the appeal, and thereafter the petition and response were referred to

the circuit judges who are in regular active service. A poll was requested, taken, and failed.

IT IS ORDERED THAT:

(1) The petition for rehearing en banc is denied.

(2) Absent a petition for rehearing, the mandate of the court will issue in fifty-two days.

FOR THE COURT

July 8, 2015
Date

/s/ Daniel E. O'Toole
Daniel E. O'Toole
Clerk of Court

APPENDIX C

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

IN RE: CUOZZO SPEED TECHNOLOGIES, LLC,
Appellant

2014-1301

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2012-00001.

ON PETITION FOR REHEARING EN BANC

Before PROST, Chief Judge, NEWMAN, LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN, and HUGHES, *Circuit Judges*.

Opinion concurring in the denial of the petition for rehearing en banc filed by *Circuit Judge* DYK, in which *Circuit Judges* LOURIE, CHEN, and HUGHES join.

Opinion dissenting from the denial of the petition for rehearing en banc filed by *Chief Judge* PROST, *Circuit Judges* NEWMAN, MOORE, O'MALLEY, and REYNA.

Opinion dissenting from the denial of the petition for rehearing en banc filed by *Circuit Judge* NEWMAN.

DYK, *Circuit Judge*, with whom LOURIE, CHEN, and HUGHES, *Circuit Judges*, join, concurring in the denial of the petition for rehearing en banc.

The dissenting opinions' sole arguments for eliminating the broadest reasonable interpretation standard in inter partes review ("IPR") proceedings are that (1) IPR proceedings are a substitute for district court litigation, so the district court claim construction standard should apply; and (2) the right to amend in IPR proceedings is limited.

Neither argument supports setting aside the longstanding practice of applying the broadest reasonable interpretation standard in United States Patent and Trademark Office ("PTO") proceedings. The PTO has applied the broadest reasonable interpretation standard in a variety of proceedings for more than a century. *In re Cuozzo Speed Techs., LLC*, No. 14-1301, slip op. at 12 (Fed. Cir. July 8, 2015). Interference proceedings are adjudicatory, *see Brand v. Miller*, 487 F.3d 862, 867–68 (Fed. Cir. 2007), but nonetheless apply a variant of the broadest reasonable interpretation standard, *see, e.g.*, *In re Baxter*, 656 F.2d 679, 686 (CCPA 1981).

Nothing in the America Invents Act ("AIA") indicates congressional intent to change the prevailing broadest reasonable interpretation standard. The dissents are wholly devoid of any evidence in the legislative history that Congress intended in the AIA to change the standard, and we must interpret the statute in light of the long history of the use of the broad-

est reasonable interpretation standard in PTO proceedings. "What is of paramount importance is that Congress be able to legislate against a background of clear interpretive rules, so that it may know the effect of the language it adopts." *Finley v. United States*, 490 U.S. 545, 556 (1989), *superseded by statute on other grounds as recognized in Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 558 (2005). Far from intending to change the standard, Congress conveyed rulemaking authority to the PTO to prescribe regulations, *inter alia*, "establishing and governing inter partes review," 35 U.S.C. § 316(a)(4), and the PTO has adopted the broadest reasonable interpretation standard for IPR proceedings, 37 C.F.R. § 42.100(b). In the absence of evidence of congressional intent to abrogate the broadest reasonable interpretation standard, we should not act to adopt a different standard based on our own notions of appropriate public policy. If the standard is to be changed, that is a matter for Congress. There are pending bills which would do just that.[1]

PROST, *Chief Judge*, NEWMAN, MOORE, O'MALLEY, and REYNA, *Circuit Judges*, dissenting from the denial of the petition for rehearing en banc.

Inter partes review ("IPR") is a new, court-like proceeding designed to adjudicate the validity of issued patent claims. In adjudicatory proceedings,

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[1] *See* Innovation Act, H.R. 9, 114th Cong. § 9(b)(1)(C) (2015) (as reported by House Judiciary Committee on June 11, 2015, with Manager's Amendment in the nature of a substitute); PATENT Act, S. 1137, 114th Cong. § 11(a)(4)(A)(vii) (2015) (as reported by Senate Judiciary Committee on June 4, 2015, with Manager's Amendment in the nature of a substitute); STRONG Patents Act of 2015, S. 632, 114th Cong. § 102(a) (2015) (as introduced on March 3, 2015).

claims are given their actual meaning, not their broadest reasonable interpretation. For this reason, we respectfully dissent.

I

The panel majority holds that "Congress implicitly approved the broadest reasonable interpretation standard in enacting the [America Invents Act ("AIA")]." Revised Panel Op. at 16. This conclusion cannot stand, as it does, on a silent statute, a contrary legislative history, and a line of case law that counsels an opposite result.

First, the panel decision ignores the usual rule that, "[o]rdinarily, 'Congress' silence is just that—silence.'" *Cmty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 749 (1989) (quoting *Alaska Airlines, Inc. v. Brock*, 480 U.S. 678, 686 (1987)); *see also Kimble v. Marvel Entm't*, LLC, 576 U.S. __, __ slip op. at 7 (2015) (Alito, J., dissenting) ("[I]t is at best treacherous to find in congressional silence alone the adoption of a controlling rule of law.") (quoting *Girouard v. United States*, 328 U.S. 61, 69 (1946)). While there may be occasions when a court may glean congressional intent from congressional inaction—for example, when there is a settled judicial interpretation of a statutory section which Congress then re-enacts without change, *see Lorillard, Div. v. Pons*, 434 U.S. 575, 580 (1978); *United States v. Powell*, 379 U.S. 48, 55 n.13 (1964); *cf. Jama v. Immigration & Customs Enforcement*, 543 U.S. 335, 351 (2005)—this is not such an occasion. There is no statutory section, reenacted by Congress, which has been subject of settled judicial interpretation in favor of the broadest reasonable interpretation. Nor could there be—the AIA is a new statutory regime. Although we have previously con-

sidered the appropriateness of the broadest reasonable interpretation in other U.S. Patent and Trademark Office ("PTO") proceedings, now we are deciding the proper interpretation of a new statute creating a wholly novel procedure. Silence has no meaning in this context.

Here, Congress was not legislating within an already existing regime. To the contrary, Congress created IPRs as a "new post-grant review procedure" that would provide "a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs." H.R. Rep. No. 112–98, pt. 1, at 40, 45 (2011). Originally, Congress established the reexamination process to effect this goal, but in light of the limitations, timing, and costs of these proceedings, Congress decided to start anew and establish new post-grant review procedures, including IPR, in the AIA. *See id.* at 45–46 (noting the problems with the reexamination process and Congress's attempts to remedy these issues with amendments before the enactment of the AIA). And it did so by "convert[ing] inter partes reexamination from an examinational to an adjudicative proceeding." *Id.* at 46; *see also id.* at 68 (stating that the AIA would "[e]stablish a new procedure, known as post-grant review," noting that this procedure "would take place in a court-like proceeding"). As the dissent aptly summarizes: "The post-grant proceedings established by the America Invents Act were intended as a far-reaching surrogate for district court validity determinations." Revised Dissenting Op. at 3. Congress's intent in creating a completely new type of PTO proceeding—one bearing the efficiency and finality of district court adjudications of patent validity—could not have been clearer. The panel majority fails to explain why Congress (or any-

one else) would have thought it desirable or necessary for the Board to construe the claims during IPRs under a different legal framework than the one used by district courts.

Second, our background of existing law not only fails to support the conclusion drawn by the panel majority, it points to the *opposite* result. Specifically, we have long explained that the broadest reasonable interpretation standard is a useful tool, *prior* to patent issuance, for clarifying the metes and bounds of an invention during the back-and-forth between the applicant and examiner when claims are not yet in their final form. *In re Prater*, 415 F.2d 1393, 1405 (CCPA 1969) ("Claims yet unpatented are to be given the broadest reasonable interpretation consistent with the specification during the examination of a patent application since the applicant may then amend his claims, the thought being to reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified."); *In re Buszard*, 504 F.3d 1364, 1366–67 (Fed. Cir. 2007) ("The patent examiner and the applicant, in the give and take of rejection and response, work toward defining the metes and bounds of the invention to be patented."); *In re Zletz*, 893 F.2d 319, 322 (Fed. Cir. 1989) ("[D]uring patent prosecution when claims can be amended, ambiguities should be recognized, scope and breadth of language explored, and clarification imposed.").

It is the same give-and-take between applicant and examiner that we have said likewise justifies use of the broadest reasonable interpretation standard in certain post-grant proceedings. *In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984). Indeed, when claims in post-grant proceedings are *not* eligible for modifi-

cation because they have expired, the broadest reasonable interpretation standard does not apply. *In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014).

But in district court adjudications, where the applicant lacks "the ability to correct errors in claim language and adjust the scope of claim protection as needed," the broadest reasonable interpretation standard does not apply. *Yamamoto*, 740 F.2d at 1572. Rather, a district court "assign[s] a fixed, unambiguous, legally operative meaning to the claim." *Chimie v. PPG Indus., Inc.*, 402 F.3d 1371, 1377 (Fed. Cir. 2005). The point is to arrive at a "concise statement[] of the subject matter for which the statutory right to exclude is secured by the grant of the patent." *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1476, 1476 (Fed. Cir. 1998); *see also Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014) ("[A] patent's claims, viewed in light of the specification and prosecution history, [must] inform those skilled in the art about the scope of the invention with reasonable certainty."). To find otherwise would ignore the difference between the broadest reasonable interpretation and what a patent *actually* claims. In obtaining a patent, a patentee discloses his invention to the public in exchange for a limited monopoly, as defined by the claims of the patent. To invalidate those claims using a different standard than one that considers the true meaning and scope of a claim would violate the bargain the patentee struck with the public.

IPRs should be no different. As in district court adjudications, the goal in IPRs is to provide an efficient and effective vehicle for examining the validity of an issued patent. And unlike the PTO proceedings in which we have sanctioned the broadest reasonable

interpretation standard, IPRs do not bear the traits that justify the broadest reasonable construction. During IPRs, there is no back-and-forth between the patentee and examiner seeking to resolve claim scope ambiguity; there is no robust right to amend. To the contrary, an IPR is a curtailed, trial-like proceeding meant to efficiently resolve a challenge to patent validity. It may only be instituted on limited grounds, 35 U.S.C. § 311(b), and must conclude within one year (unless extended for six months upon a showing of good cause), 35 U.S.C. § 316(a)(11). The proceeding consists of a brief period of discovery, one round of briefing by the petitioner and challenger, and an oral hearing, before the Board issues its final decision. During this process, the patentee is not given the right to amend its claims, but must instead seek the permission of the Board. 35 U.S.C. § 316(d). Even then, the patentee is limited to "one motion to amend," with additional motions allowed only "to materially advance the settlement of a proceeding" or "as permitted by regulations prescribed by the Director." *Id.* Given the absence of examinational hallmarks justifying the broadest reasonable interpretation standard in other contexts, and the similarities to district court litigation, it is unclear to us why the district court standard should not apply.

Even the panel majority acknowledges the adjudicative nature and the limited amendment process of IPRs. Revised Panel Op. at 14–16. Yet it brushes these distinctions aside without substantive analysis. With respect to adjudication, the panel majority's sole response is to claim that the adjudication/examination distinction is irrelevant, and to point to the interference proceeding as one which is "in some sense adjudicatory" and uses "a variant of the broadest reasonable interpretation standard." *Id.* at 16. This argu-

ment fails to address Congress's clear intent to equate the particular IPR proceedings at issue here with those occurring in district court.

With respect to amendments, the panel majority observes that "[a]lthough the opportunity to amend is cabined in the IPR setting, it is nonetheless available." *Id.* at 15. But the court fails to explain how a "cabined" amendment process fits within our prior case law emphasizing the "readily" available nature of amendments in other proceedings in which the broadest reasonable interpretation is appropriate. *Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987) ("Patent application claims are given their broadest reasonable interpretation during examination proceedings, *for the simple reason that before a patent is granted the claims are readily amended as part of the examination process.*") (emphasis added). We also find unclear the panel majority's observation that this particular case "does not involve any restriction on amendment opportunities that materially distinguishes IPR proceedings from their predecessors in the patent statute" and that, "[i]f there are challenges to be brought against other restrictions on amendment opportunities as incompatible with using the broadest reasonable interpretation standard, they must await another case." Revised Panel Op. at 15–16. If the opinion means to imply that the correctness of the broadest reasonable interpretation standard depends on the specific type of amendments available in a given IPR, we find the suggestion problematic, as we do not see how the Board can be expected to determine whether a certain amendment restriction calls for one claim construction standard or another.

II

Finally, the panel majority also holds that, even if "Congress did not itself approve the broadest reasonable interpretation standard in enacting the AIA, § 316 provides authority to the PTO to adopt the standard in a regulation." *Id.* at 17. According to the opinion, although § 316 does not grant the PTO the power to erect "substantive statutory 'patentability' standards," it nonetheless provides enough authority for the PTO to enact a regulation setting forth the standard by which claims shall be construed. *Id.* at 18. Concluding that *Chevron* deference therefore applies, the panel majority then decides that the adopted standard is reasonable "not just because of its pedigree but for context-specific reasons." *Id.*

It is far from clear to us that this is a case in which we must defer to the PTO's action. The panel majority bases its conclusion on subsections (2) and (4) of § 316. In our view, these subsections are consistent with Congress's previous grants of authority to prescribe *procedural* regulations. *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008) (interpreting 35 U.S.C. § 2). Subsection (2) describes regulations specifying standards for the "showing of sufficient grounds to institute a review." These regulations specify the burden the petitioner must meet for an inter partes review to be instituted. *See* 37 C.F.R. § 42.108(c). Subsection (4) describes regulations "establishing and governing inter partes review." These regulations provide for IPR's existence and control how the proceeding is to be conducted. Any doubts about the scope of subsections (2) and (4) are resolved by looking to the remaining eleven subsections of § 316, which are distinctly procedural. *Direct Mktg. Ass'n v. Brohl*, 135 S. Ct. 1124, 1132 (2015).

The majority states that a claim construction standard falls within subsections (2) and (4) because it "affects both the PTO's determination of whether to institute IPR proceedings and the proceedings after institution." Revised Panel Op. at 17. But § 316 does not provide the authority to prescribe regulations on any issue that "affects" decisions to institute or later proceedings. The majority also asserts that the PTO's broadest reasonable interpretation regulation is the "opposite of a sharp departure from historical practice" because the PTO has long interpreted claims in this way. *Id.* at 18. Even if this were correct, basing the PTO's *authority* to prescribe a regulation on the content of that regulation puts the cart before the horse; the PTO's authority to prescribe a regulation must first be rooted in statute. *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 161 (2000).

Second, even if the regulation is properly classified as procedural, deference is still not warranted if the PTO's regulation "is contrary to the intent of Congress, as divined from the statute and its legislative history." *Muwwakkil v. Office of Pers. Mgmt.*, 18 F.3d 921, 925 (Fed. Cir. 1994). Here, Congress intended IPRs to be a viable alternative to district court adjudications of patent validity. Importing the broadest reasonable interpretation into IPRs "defeats the purpose of substituting administrative adjudication for district court adjudication." Revised Dissenting Op. at 15.

In any event, our joint dissent in this case does not turn on whether or not we apply deference to the agency. Even under the deferential *Chevron* framework, we would find the PTO's regulation unreasonable. *See Michigan v. EPA*, 576 U.S. __, __ slip op. at 6

(2015) ("Even under this deferential standard, however, 'agencies must operate within the bounds of reasonable interpretation.'") (quoting *Utility Air Regulatory Grp. v. EPA*, 573 U.S. __, __ (2014) (slip op., at 16) (internal quotation marks omitted)). As our prior cases explain, it makes perfect sense in the course of examining a new or revised claim, as means of clarifying the metes and bounds of an invention, that the PTO construe the claim as broadly as it might reasonably be construed in subsequent enforcement efforts. But in IPRs, as in district court litigation, an already issued claim is being analyzed solely for the purposes of determining its validity. In this context, it makes little sense to evaluate the claim against the prior art based on anything than the claim's actual meaning.

For these reasons, we respectfully dissent from the court's refusal to rehear this case en banc.

NEWMAN, *Circuit Judge*, dissenting from the denial of the petition for rehearing *en banc*.

I write further in view of the extensive *amicus curiae* participation in this rehearing *en banc* petition, representing the technology-based foundation of the national economy. The position that the PTO, on post-issuance review, should not apply the claim construction that is applied by the courts, and thus need not achieve the objectively correct determination of validity, has no defender other than a majority of the Federal Circuit court.

The loser in this debate is the nation, for the ambitious plan of the America Invents Act is thwarted—a plan to rehabilitate the patent-based innovation incentive by creating a new and powerful adjudicatory tribunal in the PTO, a tribunal that would apply the law

reliably and expertly, to achieve expedited and correct determination of patent validity.

A

All of the *amici curiae* criticize the panel majority position and urge *en banc* attention to this "matter of exceptional importance." The brief filed by the 3M Company, Caterpillar Inc., Eli Lilly and Company, General Electric Company, GlaxoSmithKline LLC, Illinois Tool Works Inc., Johnson & Johnson, Pfizer Inc., Procter & Gamble, and Sanofi US, states that together they "spend tens of billions of dollars annually and employ over a half million scientists, engineers and others in the United States alone to develop, produce, and market new products," and that they "collectively hold tens of thousands of patents [and] participate extensively in patent litigation." *Amicus Curiae* Br. of 3M *et al.* at 1. They advise the court that "the PTO's decision to use the BRI Rule is inconsistent with the AIA and sound patent policy." *Id.* at 2.

These *amici* "urge the Court to grant *en banc* review," and stress the importance of resolving this concern expeditiously, citing the thousands of current IPR proceedings. They state: "The lack of certainty as to the meaning (and therefore value) of a patent is costly to the inventive community and discourages innovation; it adversely affects patent licensing, design-around activities, and other critical business decisions, contrary to the goals of the AIA." *Id.* at 4. They observe that the "application of different standards in the PTO and judicial proceedings also means that each proceeding's claim construction has no estoppel effect for subsequent proceedings, further encouraging gamesmanship," and urge this court to cor-

rect the PTO's departure from congressional intent. *Id.*

The Intellectual Property Owners Association, citing its membership of "over 200 companies and 12,000 individuals involved in the association through their companies or as inventor, author, executive, law firm or attorney," Br. of IPO as *Amicus Curiae* at 1, states that: "The use of BRI in IPR proceedings is rapidly undermining the public's confidence in the patent system. The [*Cuozzo*] panel's decision upsets the settled expectation of inventors, patentees, and all others who depend on the patent system." *Id.* The IPO urges the *en banc* court to review the panel's ruling, for "[i]nvestment decisions relating to research and development of new inventions and the commercialization of previously patented ones are now being chilled." *Id.* at 4.

The Pharmaceutical Research and Manufacturers of America reminds the court that pursuit of medical advances requires enormous investments—roughly $40-50 billion annually—"made possible by clearly defined and predictable patent law protections." Br. of *Amicus Curiae* PhRMA at 1. The *amicus* describes the broadest reasonable interpretation standard in the new post-grant proceedings as an issue of "particular importance." *Id.* *Amicus* New York Intellectual Property Law Association reiterates that the "issue is of great importance and should be re-heard *en banc*." *Amicus Curiae* Br. of NYIPLA at 4.

The *amici* explain the commercial, economic, and pragmatic implications of the majority position. They stress the need for clarity and predictability in the law on which commercial decisions are made, they emphasize the legislative purpose of the America In-

vents Act, and ask this *en banc* court to guide agency understanding of the statute. The majority of the court appears unperturbed.

In contrast, the legislative record of the America Invents Act is full of testimony in elaboration of the concerns of the nation's industries, that the system of patents is of diminished service to industrial growth and competitiveness, despite this era of scientific promise and creativity. The America Invents Act is the culmination of several years of effort, focused on achieving stability and predictability of patent validity determinations.

The *amici curiae* stress the need for investment-reliable patent rights, and the AIA's purpose of establishing this new administrative adjudicative authority. This purpose collapses if the PTO applies a unique rule of patent claim construction, different from the law of claim construction that is applied in the courts. The public interest in technological advance, and the national interest in a vigorous economy served by growth, employment, creativity, and trade, require that this court accept the petition for *en banc* rehearing.

B

The America Invents Act established a new PTO tribunal in order to achieve rapid, efficient, and correct resolution of issues of patent validity that heretofore required trial in the district courts after controversy arose. All of the *amici curiae* stress the importance, the value, of this new adjudicative plan. Yet the legislative purpose fails if the PTO applies different law than is applied in the courts. As the *amici* point out, and as current experience illustrates, in-

stead of diminishing the gamesmanship, delay, and burdens of patent disputes, they are enhanced.

This was not the legislative intent.[1] As elaborated in my panel dissent and in today's *en banc* dissent, I tabulate some reasons why the "broadest reasonable interpretation" is the improper standard for America Invents Act post-issuance procedures:

- Claims of issued patents are construed the same way for validity as for infringement; no precedent, no practical reality, authorizes or tolerates a broader construction for one than the other.

- The broadest reasonable interpretation is an appropriate examination expedient, for it aids definition of claim scope during prosecution, with ready amendment of pending claims. In contrast, in the AIA proceedings amendment requires permission, and is limited even when permitted.

- With PTO construction of issued claims more broadly than the basis on which they were granted, the patentee must now defend, in these AIA proceedings, the validity of claim scope he did not obtain from the PTO during prosecution.

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[1] Corrective legislation, requiring that "each claim of a patent shall be construed as such claim would be in a civil action" has been enacted in bills approved by both the House and Senate committees, but has stalled because of unrelated areas of controversy. *See* 2015 Patent Reform Innovation Act, H.R. 9, 114th Cong. § 9(b)(1)(C) (2015); Patent Act, S. 1137, 114th Cong. § 11(a)(4)(A)(vii) (2015). Prompt resolution is reported to be unlikely.

- The AIA contemplated a streamlined surrogate tribunal for determination of validity. This requires that the same claim construction is applied in the PTO as in the district courts.

- The public notice role of patent claims requires the correct claim construction, not an arbitrarily broad construction of undefined limits.

- Neither the PTO nor any judicial precedent provides guidance as to how broad is "broadest," or sets any limits to this parameter. Predictability of legal rights, and stability of law, are replaced by fuzziness and uncertainty.

- The AIA designed the new PTO tribunal to "review the validity of a patent." It was expected that the PTO would apply the correct law of validity, while drawing on PTO expertise in technology and PTO experience in patent law. It cannot have been intended that the PTO would not apply the correct law in these new post-grant proceedings.

The concurrence, in reinforcing denial of *en banc* review, states that claims of issued patents have been given their "broadest" interpretation for a hundred years, citing patent interferences and reissues. *See* Concurring Op. at 1–2. Any practitioner of patent interferences knows that the PTO, in determining conception, reduction to practice, corroboration, diligence, experimental support, etc., did not apply a "broadest" interpretation of anything. And reissues are directed to correction of the patentee's error; the purpose is to achieve correctness, not breadth. Contrary to the concurrence, the question before this court is not whether to "eliminate" BRI, but whether

to impose it on issued patents, where it has not previously reposed.

This is a simple question, although of powerful consequence. As urged by the *amici curiae*, it should be answered correctly.

APPENDIX D

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

IN RE CUOZZO SPEED TECHNOLOGIES, LLC.

2014-1301

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2012-00001.

Decided: February 4, 2015

Before NEWMAN, CLEVENGER, and DYK, *Circuit Judges.*

Opinion for the court filed by *Circuit Judge* DYK.

Dissenting opinion filed by *Circuit Judge* NEWMAN.

DYK, *Circuit Judge.*

Cuozzo Speed Technologies ("Cuozzo") owns U.S. Patent No. 6,778,074 (the "'074 patent"). Garmin International, Inc. and Garmin USA, Inc. (collectively, "Garmin") petitioned the United States Patent and Trademark Office ("PTO") for inter partes review ("IPR") of claims 10, 14, and 17 of the '074 patent. The PTO granted Garmin's petition and instituted IPR. The Patent Trial and Appeal Board (the

"Board") timely issued a final decision finding claims 10, 14, and 17 obvious. The Board additionally denied Cuozzo's motion to amend the '074 patent by substituting new claims 21, 22, and 23 for claims 10, 14, and 17.

Contrary to Cuozzo's contention, we hold that we lack jurisdiction to review the PTO's decision to institute IPR. We affirm the Board's final determination, finding no error in the Board's claim construction under the broadest reasonable interpretation standard, the Board's obviousness determination, and the Board's denial of Cuozzo's motion to amend.

BACKGROUND

Cuozzo is the assignee of the '074 patent, entitled "Speed Limit Indicator and Method for Displaying Speed and the Relevant Speed Limit," which issued on August 17, 2004. The '074 patent discloses an interface which displays a vehicle's current speed as well as the speed limit. In one embodiment, a red filter is superimposed on a white speedometer so that "speeds above the legal speed limit are displayed in red while the legal speeds are displayed in white " *Id.* col. 5 ll. 35–37. A global positioning system ("GPS") unit tracks the vehicle's location and identifies the speed limit at that location. The red filter automatically rotates when the speed limit changes, so that the speeds above the speed limit at that location are displayed in red. The patent also states that the speed limit indicator may take the form of a colored liquid crystal display ("LCD"). *Id.* col. 3 ll. 4–6, col. 6 ll. 11–14. In claim 10, the independent claim at issue here, a colored display shows the current speed limit, and the colored display is "integrally attached" to the speedometer. *Id.* col. 7 l. 10.

Claim 10 recites:

> A speed limit indicator comprising:
> a global positioning system receiver;
> a display controller connected to said global positioning system receiver, wherein said display controller adjusts a colored display in response to signals from said global positioning system receiver to continuously update the delineation of which speed readings are in violation of the speed limit at a vehicle's present location; and
> a speedometer integrally attached to said colored display.

Id. col. 7 ll. 1–10. Claim 14 is addressed to "[t]he speed limit indicator as defined in claim 10, wherein said colored display is a colored filter." *Id.* col. 7 ll. 23–24. Claim 17 recites: "[t]he speed limit indicator as defined in claim 14, wherein said display controller rotates said colored filter independently of said speedometer to continuously update the delineation of which speed readings are in violation of the speed limit at a vehicle's present location." *Id.* col. 8 ll. 5–9.

On September 16, 2012, Garmin filed a petition with the PTO to institute IPR of, *inter alia*, claims 10, 14, and 17 the '074 patent. Garmin contended that claim 10 was invalid as anticipated under 35 U.S.C. § 102(e) or as obvious under 35 U.S.C. § 103(a) and that claims 14 and 17 were obvious under § 103(a). The PTO instituted IPR, determining that there was a reasonable likelihood that claims 10, 14, and 17 were obvious under § 103 over (1) U.S. Patent Nos. 6,633,811 ("Aumayer"), 3,980,041 ("Evans"), and 2,711,153 ("Wendt"); and/or (2) German Patent No. 197 55 470 ("Tegethoff"), U.S. Patent No. 6,515,596 ("Awada"), Evans, and Wendt. Although Garmin's

petition with respect to claim 17 included the grounds on which the PTO instituted review, the petition did not list Evans or Wendt for claim 10 or Wendt for claim 14.

In its subsequent final decision, the Board explained that "[a]n appropriate construction of the term 'integrally attached' in independent claim 10 is central to the patentability analysis of claims 10, 14, and 17." J.A. 7. The Board applied a broadest reasonable interpretation standard and construed the term "integrally attached" as meaning "discrete parts physically joined together as a unit without each part losing its own separate identity." J.A. 9. The Board found that claims 10, 14, and 17 were unpatentable as obvious under 35 U.S.C. § 103 (1) over Aumayer, Evans, and Wendt; and, alternatively, (2) over Tegethoff, Awada, Evans, and Wendt.

The Board also denied Cuozzo's motion to amend the patent by replacing claims 10, 14, and 17 with substitute claims 21, 22, and 23. The Board's denial of the motion to amend centered on proposed claim 21.[1] Claim 21 would have amended the patent to claim "a speedometer integrally attached to [a] colored display, wherein the speedometer comprises a liquid crystal display, and wherein the colored display is the liquid crystal display." J.A. 357–58. The Board rejected the amendment because (1) substitute claim 21 lacked written description support as required by 35 U.S.C. § 112, and (2) the substitute claims would improperly enlarge the scope of the claims as construed by the Board.

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[1] The parties do not separately address claims 22 and 23 and apparently agree that the motion for leave to amend on those claims presents the same issues as claim 21.

Cuozzo appealed. The PTO intervened, and we granted Garmin's motion to withdraw as appellee.[2] We have jurisdiction to review the Board's final decision under 28 U.S.C. § 1295(a)(4)(A).

DISCUSSION

I

IPRs proceed in two phases. *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375–76 (Fed. Cir. 2014). In the first phase, the PTO determines whether to institute IPR. In the second phase, the Board conducts the IPR proceeding and issues a final decision. *Id.*

Cuozzo argues that the PTO improperly instituted IPR on claims 10 and 14 because the PTO relied on prior art that Garmin did not identify in its petition as grounds for IPR as to those two claims (though the prior art in question was identified with respect to claim 17). Under the statute, any petition for IPR must "identif[y] with particularity the grounds on which the challenge to each claim is based" 35 U.S.C. § 312(a)(3). Cuozzo argues that the PTO may only institute IPR based on grounds identified in the petition because "[t]he Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition and any response shows that there is a reasonable likelihood that the petitioner would prevail" *Id.* § 314(a).

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[2] Garmin filed a motion to withdraw because it agreed not to participate in any appeal of the IPR written decision as part of a settlement agreement with Cuozzo.

Section 314(d) is entitled "No appeal" and provides that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. § 314(d). The PTO argues that § 314(d) precludes review of a determination to institute IPR. Cuozzo argues that § 314(d) does not completely preclude review of the decision to institute IPR, but instead merely postpones review of the PTO's authority until after the issuance of a final decision by the Board.

We have previously addressed § 314(d) and have held that it precludes interlocutory review of decisions whether to institute IPR. In *St. Jude*, we characterized § 314(d) as a "broadly worded bar on appeal" and held that § 314(d) "certainly bars" interlocutory review of the PTO's denial of a petition for IPR. 749 F.3d at 1375–76. This result was supported by § 319, which "authorizes appeals to this court only from 'the final written decision of the [Board] '" *Id.* at 1375 (quoting 35 U.S.C. § 319) (alteration in original). Similarly, the bar to interlocutory review is supported by 35 U.S.C. § 141(c), which "authorizes appeal only by 'a party to an inter partes review. who is dissatisfied with the final written decision of the [Board] under section 318(a).'" *Id.* (quoting 35 U.S.C. § 141(c)) (alterations in original). But while we stated that § 314 "may well preclude all review by any route," we did not decide the issue. *Id.* at 1376.

We conclude that § 314(d) prohibits review of the decision to institute IPR even after a final decision. On its face, the provision is not directed to precluding review only before a final decision. It is written to exclude all review of the decision whether to institute review. Section 314(d) provides that the decision is both "nonappealable" and "final," i.e., not subject to

further review. 35 U.S.C. § 314(d). A declaration that the decision to institute is "final" cannot reasonably be interpreted as postponing review until after issuance of a final decision on patentability. Moreover, given that § 319 and § 141(c) already limit appeals to appeals from final decisions, § 314(d) would have been unnecessary to preclude non-final review of institution decisions. Because § 314(d) is unnecessary to limit interlocutory appeals, it must be read to bar review of all institution decisions, even after the Board issues a final decision. Nor does the IPR statute expressly limit the Board's authority at the final decision stage to the grounds alleged in the IPR petition. It simply authorizes the Board to issue "a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d)." 35 U.S.C. § 318(a).

Our decision in *In re Hiniker Co.*, 150 F.3d 1362, 1367 (Fed. Cir. 1998), confirms the correctness of the PTO's position here. There, even absent a provision comparable to § 314(d),[3] we held that a flawed decision to institute reexamination under 35 U.S.C. § 303 was not a basis for setting aside a final decision. *Hiniker*, 150 F.3d at 1367. Under the statute at issue in *Hiniker*, reexamination could only be instituted if the Commissioner determined that there was "a substantial new question of patentability," i.e., new prior art not considered by the examiner. 35 U.S.C. § 303(a) (1994). In *Hiniker*, the PTO instituted reexamination based on prior art considered in the original examination (Howard). *Hiniker*, 150 F.3d at 1365. But the

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[3] Unlike § 314, the reexamination statute only provides that "[a] determination by the Commissioner. that *no* substantial new question of patentability has been raised will be final and nonappealable." 35 U.S.C. § 303(c) (1994) (emphasis added).

PTO's final decision relied on East (which had not been before the examiner in the initial examination) in finding the claims invalid. *Id.* at 1366. We held that our jurisdiction was only "over Hiniker's appeal from the [final] decision of the Board." *Id.* at 1367. While the final decision would have been subject to reversal if it had improperly relied only on prior art presented to the examiner,[4] any error in instituting reexamination based on the Howard reference was "washed clean during the reexamination proceeding," which relied on new art. *Id.* The fact that the petition was defective is irrelevant because a proper petition could have been drafted. The same is even clearer here, where § 314(d) explicitly provides that there is no appeal available of a decision to institute. There was no bar here to finding claims 10 and 14 unpatentable based on the Evans and/or Wendt references. The failure to cite those references in the petition provides no ground for setting aside the final decision.

Cuozzo argues that Congress would not have intended to allow the PTO to institute IPR in direct contravention of the statute, for example, on grounds of prior public use where the IPR statute permits petitions only on the basis of "prior art consisting of patents or printed publications." 35 U.S.C. § 311. The answer is that mandamus may be available to challenge the PTO's decision to grant a petition to institute IPR after the Board's final decision in situations where the PTO has clearly and indisputably exceeded its authority.

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[4] *See In re Portola Packaging, Inc.*, 110 F.3d 786, 789, *superseded by statute as recognized by In re NTP, Inc.*, 654 F.3d 1268, 1277 (Fed. Cir. 2011); *In re Recreative Techs. Corp.*, 83 F.3d 1394 (Fed. Cir. 1996). Congress subsequently amended the statute to provide for consideration of prior art before the examiner. 35 U.S.C. § 303.

The PTO argues that our previous decisions preclude mandamus. In *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379, 1381 (Fed. Cir. 2014), we held that mandamus relief was not available to challenge the denial of a petition for IPR. Given the statutory scheme, there was no "'clear and indisputable right' to challenge a non-institution decision directly in this court," as required for mandamus. *Id.* And in *In re Procter & Gamble Co.*, 749 F.3d 1376, 1378–79 (Fed. Cir. 2014), we held that mandamus was not available to provide immediate review of a decision to institute IPR. There was no "clear and indisputable right to this court's immediate review of a decision to institute an inter partes review, as would be needed for mandamus relief." *Id.* at 1379. Furthermore, that "[wa]s not one of the rare situations in which irremediable interim harm c[ould] justify mandamus, which is unavailable simply to relieve [the patentee] of the burden of going through the inter partes review." *Id.* (citation omitted). However, we did not decide the question of whether the decision to institute review is reviewable by mandamus after the Board issues a final decision or whether such review is precluded by § 314(d). *Id.* Nor do we do so now.

Even if § 314 does not bar mandamus after a final decision, at least "three conditions must be satisfied before [a writ of mandamus] may issue." *Cheney v. U.S. Dist. Court for the D.C.*, 542 U.S. 367, 380, 124 S.Ct. 2576, 159 L.Ed.2d 459 (2004). "First, 'the party seeking issuance of the writ [must] have no other adequate means to attain the relief he desires.'" *Id.* (quoting *Kerr v. U.S. Dist. Court for the N. Dist. of Cal.*, 426 U.S. 394, 403, 96 S.Ct. 2119, 48 L.Ed.2d 725 (1976) (alteration in original)). That condition appears to be satisfied since review by appeal is unavailable. "Second, the petitioner must satisfy 'the burden

of showing that his right to issuance of the writ is clear and indisputable.'" *Id.* at 381, 124 S.Ct. 2576 (internal quotations, citation, and alterations omitted). "Third, the issuing court, in the exercise of its discretion, must be satisfied that the writ is appropriate under the circumstances." *Id.* (citation omitted).

Here, Cuozzo has not filed a mandamus petition, but even if we were to treat its appeal as a request for mandamus,[5] the situation here is far from satisfying the clear-and-indisputable requirement for mandamus. It is not clear that IPR is strictly limited to the grounds asserted in the petition. The PTO urges that instituting IPR of claims 10 and 14 based on the grounds for claim 17 was proper because claim 17 depends from claim 14, which depends from claim 10. Any grounds which would invalidate claim 17 would by necessary implication also invalidate claims 10 and 14. *See Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1344 (Fed. Cir. 2009) ("A broader independent claim cannot be nonobvious where a dependent claim stemming from that independent claim is invalid for obviousness."). The PTO argues that Garmin implicitly asserted that claims 10 and 14 were unpatentable when it asserted that claim 17 was unpatentable. Whether or not the PTO is correct in these aspects, it is at least beyond dispute there is no clear and indisputable right that precludes institution of the IPR proceeding. We need not decide whether mandamus

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[5] *See* 16 Charles A. Wright, Arthur R. Miller & Edward H. Cooper, *Federal Practice and Procedure* § 3932.1 (3d ed. 2012) ("Many cases illustrate the seemingly converse proposition that an appeal can substitute for a writ in the sense that an attempted appeal from an order that is nonappealable can be treated as a petition for a writ." (citations omitted)).

to review institution of IPR after a final decision is available in other circumstances.

II

Cuozzo contends in addition that the Board erred in finding the claims obvious, arguing initially that the Board should not have applied the broadest reasonable interpretation standard in claim construction.

A

The America Invents Act ("AIA") created IPR, but the statute on its face does not resolve the issue of whether the broadest reasonable interpretation standard is appropriate in IPRs; it is silent on that issue. However, the statute conveys rulemaking authority to the PTO. It provides that "[t]he Director shall prescribe regulations," *inter alia*, "setting forth the standards for the showing of sufficient grounds to institute review," and "establishing and governing inter partes review and the relationship of such review to other proceedings " 35 U.S.C. § 316(a)(2), (a)(4). Pursuant to this authority, the PTO has promulgated 37 C.F.R. § 42.100(b), which provides that "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. § 42.100(b). Cuozzo argues that the PTO lacked authority to promulgate § 42.100(b) and that the broadest reasonable interpretation standard is inappropriate in an adjudicatory IPR proceeding. The PTO argues that 35 U.S.C. § 316 provides the necessary authority to the PTO to promulgate § 42.100(b) and that the broadest reasonable interpretation is appropriately applied in the IPR context.

1

Before addressing the scope of the PTO's rulemaking authority, we consider the history of the broadest reasonable interpretation standard and the bearing of that history on the interpretation of the IPR statute. No section of the patent statute explicitly provides that the broadest reasonable interpretation standard shall be used in any PTO proceedings.

Nonetheless, the broadest reasonable interpretation standard has been applied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings. A 1906 PTO decision explained, "[n]o better method of construing claims is perceived than to give them in each case the broadest interpretation which they will support without straining the language in which they are couched." *Podlesak v. McInnerney*, 1906 Dec. Comm'r Pat. 265, 258. For more than a century, courts have approved that standard. *See, e.g., Miel v. Young*, 29 App. D.C. 481, 484 (D.C. Cir. 1907) ("This claim should be given the broadest interpretation which it will support "); *In re Rambus, Inc.*, 753 F.3d 1253, 1255 (Fed. Cir. 2014) ("Claims are generally given their 'broadest reasonable interpretation' consistent with the specification during reexamination." (citation omitted)); *In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004) ("Giving claims their broadest reasonable construction 'serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified.'" (quoting *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984))); *In re Morris*, 127 F.3d 1048, 1054 (Fed. Cir. 1997) ("[W]e reject appellants' invitation to construe either of the cases cited by appellants so as to overrule, *sub silentio*, decades old case law. It would be incon-

sistent with the role assigned to the PTO in issuing a patent to require it to interpret claims in the same manner as judges who, post-issuance, operate under the assumption the patent is valid. The process of patent prosecution is an interactive one."); *In re Carr*, 297 F 542, 544 (D.C. Cir. 1924) ("For this reason we have uniformly ruled that claims will be given the broadest interpretation of which they reasonably are susceptible. This rule is a reasonable one, and tends not only to protect the real invention, but to prevent needless litigation after the patent has issued."); *In re Kebrich*, 40 C.C.P.A. 780, 201 F.2d 951, 954 (1953) ("[I]t is well settled that the tribunals [of the PTO] and the reviewing courts in the initial consideration of patentability will give claims the broadest interpretation which, within reason, may be applied.").

This court has approved of the broadest reasonable interpretation standard in a variety of proceedings, including initial examinations, interferences, and post-grant proceedings such as reissues and reexaminations. Indeed, that standard has been applied in every PTO proceeding involving unexpired patents.[6] In doing so, we have cited the long history of the PTO's giving claims their broadest reasonable construction. *See, e.g., Yamamoto*, 740 F.2d at 1571–72 (reexaminations); *In re Reuter*, 670 F.2d 1015, 1019 (CCPA 1981) (reissues); *Reese v. Hurst*, 661 F.2d 1222, 1236 (CCPA

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[6] The claims of an expired patent are the one exception where the broadest reasonable interpretation is not used because the patentee is unable to amend the claims. *Rambus*, 753 F.3d at 1256 ("If, as is the case here, a reexamination involves claims of an expired patent, a patentee is unable to make claim amendments and the PTO applies the claim construction principles outlined by this court in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005)." (citations omitted)).

1981) (interferences); *In re Prater*, 56 C.C.P.A. 1381, 415 F.2d 1393, 1404–05 (1969) (examinations). Applying the broadest reasonable interpretation standard "reduce[s] the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified." *Reuter*, 670 F.2d at 1015 (quoting *Prater*, 415 F.2d at 1404–05).

There is no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years. Congress is presumed to legislate against the background of existing law where Congress in enacting legislation is aware of the prevailing rule. As we held in *GPX International Tire Corp. v. United States*, "the principle of legislative ratification is well established. In the case of a widely known judicial decision or agency practice, Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change." 666 F.3d 732, 739 (Fed. Cir. 2011) (internal quotation marks and citations omitted), *superseded in part by statute as recognized in* 678 F.3d 1308 (Fed. Cir. 2012); *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 110, 111 S.Ct. 2166, 115 L.Ed.2d 96 (1991); *Procter & Gamble Co. v. Kraft Foods Global*, 549 F.3d 842, 848–49 (Fed. Cir. 2008) (improper to presume that congress would alter the backdrop of existing law *sub silentio*).

Here, Congress in enacting the AIA was well aware that the broadest reasonable interpretation standard was the prevailing rule. *See* 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (allowing written statements to be considered in inter partes review "should allow the Office to identify inconsistent statements made about claim scope—for

example, cases where a patent owner successfully advocated a claim scope in district court that is broader than the 'broadest reasonable construction' that he now urges in an inter partes review"). It can therefore be inferred that Congress impliedly adopted the existing rule of adopting the broadest reasonable construction.

Cuozzo argues that judicial or congressional approval of the broadest reasonable interpretation standard for other proceedings is irrelevant here because the earlier judicial decisions relied on the availability of amendment, and the AIA limits amendments in IPR proceedings.[7]

But IPR proceedings are not materially different in that respect. Section 316(d)(1) provides that a patentee may file one motion to amend in order to "[c]ancel any challenged patent claim" or "[f]or each challenged claim, propose a reasonable number of substitute claims," 35 U.S.C. § 316(d)(1), though "[a]n

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[7] *See, e.g., Yamamoto*, 740 F.2d at 1571–72 ("An applicant's *ability to amend his claims* to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents." (emphasis added)); *Reuter*, 670 F.2d at 1019 ("It is well settled that claims before the PTO are to be given their broadest reasonable interpretation consistent with the specification during the examination of a patent application since the applicant may then amend his claims " (internal quotation marks omitted)); *Prater*, 415 F.2d at 1404–05 ("[T]his court has consistently taken the tack that claims yet unpatented are to be given the broadest reasonable interpretation consistent with the specification during the examination of a patent application since the applicant may then amend his claims . "); *see also, e.g., In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009) ("As explained in the Manual of Patent Examining Procedure (MPEP) , Applicant always has the opportunity to amend the claims during prosecution " (internal quotation marks omitted)).

amendment may not enlarge the scope of the claims of the patent or introduce new matter," *id.* § 316(d)(3). The PTO regulations provide that "[a] patent owner may file one motion to amend a patent, but only after conferring with the Board." 37 C.F.R. § 42.221(a). "The presumption is that only one substitute claim would be needed to replace each challenged claim, and it may be rebutted by a demonstration of need." *Id.* § 42.221(a)(3). The statute also provides that "[a]dditional motions to amend may be permitted upon the joint request of the petitioner and the patent owner. " 35 U.S.C. § 316(d)(2). "A motion to amend may be denied where" the amendment either "does not respond to a ground of unpatentability involved in the [IPR] trial" or "seeks to enlarge the scope of the claims of the patent or introduce new subject matter." 37 C.F.R. § 42.221(a)(2).

Although the opportunity to amend is cabined in the IPR setting, it is thus nonetheless available. The fact that the patent owner may be limited to a single amendment, may not broaden the claims, and must address the ground of unpatentability is not a material difference. Nor is the fact that IPR may be said to be adjudicatory rather than an examination. Interference proceedings are also in some sense adjudicatory, *see Brand v. Miller*, 487 F.3d 862, 867–68 (Fed. Cir. 2007) (characterizing interference proceedings as adjudicatory and holding that the Board's decision be reviewed on the record), yet the broadest reasonable interpretation standard applies, *see Genentech, Inc. v. Chiron Corp.*, 112 F.3d 495, 500 (Fed. Cir. 1997) ("In the absence of ambiguity, it is fundamental that the language of a count should be given the broadest reasonable interpretation it will support " (quoting *In re Baxter*, 656 F.2d 679, 686 (CCPA 1981))). In any event, Congress in enacting the AIA was aware of

these differences in terms of amendments and adjudication and did not provide for a different standard than the broadest reasonable interpretation standard. We conclude that Congress implicitly adopted the broadest reasonable interpretation standard in enacting the AIA.

2

Even if we were to conclude that Congress did not adopt the broadest reasonable interpretation standard in enacting the AIA, § 316 provides authority to the PTO to conduct rulemaking. Although we have previously held that 35 U.S.C. § 2(b) does not grant substantive rulemaking authority to the PTO,[8] *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1335–36 (Fed. Cir. 2008), the AIA granted new rulemaking authority to the PTO. Section 316(a)(2) provides that the PTO shall establish regulations "setting forth the stand-

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[8] Section 2 provides, in relevant part:

(b) Specific Powers.—the Office—

. .

(2) may establish regulations, not inconsistent with law, which

(A) shall govern the conduct of proceedings in the Office;

(B) shall be made in accordance with section 553 of title 5;

(C) shall facilitate and expedite the processing of patent applications, particularly those which can be filed, stored, processed, searched, and retrieved electronically, subject to the provisions of section 122 relating to the confidential status of applications[.]

35 U.S.C. § 2(b)(2)(A)–(C).

ards for the showing of sufficient grounds to institute a review " 35 U.S.C. § 316(a)(2). Section 316(a)(4) further provides the PTO with authority for "establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title." *Id.* § 316(a)(4). These provisions expressly provide the PTO with authority to establish regulations setting the "standards" for instituting review and regulating IPR proceedings. The broadest reasonable interpretation standard affects both the PTO's determination of whether to institute IPR proceedings and the proceedings after institution and is within the PTO's authority under the statute.

Because Congress authorized the PTO to prescribe regulations, the validity of the regulation is analyzed according to the familiar *Chevron* framework. *See United States v. Mead Corp.*, 533 U.S. 218, 226–27, 121 S.Ct. 2164, 150 L.Ed.2d 292 (2001); *Wilder v. Merit Sys. Prot. Bd.*, 675 F.3d 1319, 1322 (Fed. Cir. 2012). Under *Chevron*, the first question is "whether Congress has directly spoken to the precise question at issue." *Chevron, U.S.A. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842, 104 S.Ct. 2778, 81 L.Ed.2d 694 (1984); *accord Cooper*, 536 F.3d at 1337 (quoting *Hawkins v. United States*, 469 F.3d 993, 1000 (Fed. Cir. 2006)). If the statute is ambiguous, the second question is "whether the agency's interpretation is based on a permissible construction of the statutory language at issue." *Cooper*, 536 F.3d at 1338 (quoting *Hawkins*, 469 F.3d at 1000).

In the text of the IPR statute, Congress was silent on the subject of claim construction standards, and, if we assume *arguendo* that it did not adopt the broadest reasonable interpretation standard, step one of

Chevron is satisfied. We proceed to step two of the *Chevron* analysis. The regulation here presents a reasonable interpretation of the statute. The PTO has long applied the broadest reasonable interpretation standard in other proceedings, suggesting that a broadest reasonable interpretation standard is appropriate in IPRs. As discussed above, the policy rationales for the broadest reasonable interpretation standard in other examination proceedings also apply in the IPR context. The statute also provides for the PTO to exercise discretion to consolidate an IPR with another proceeding before the PTO. *See* 35 U.S.C. § 315(d). The possibility of consolidating multiple types of proceedings suggests a single claim construction standard across proceedings is appropriate. 37 C.F.R. § 42.221(a) reflects a permissible construction of the statutory language in § 316(a). Even if the broadest reasonable interpretation standard were not incorporated into the IPR provisions of the statute, the standard was properly adopted by PTO regulation.

B

The second issue is whether the Board here properly construed the claims under the broadest reasonable interpretation standard. We review the Board's claim construction according to the Supreme Court's decision in *Teva Pharmaceuticals U.S.A., Inc. v. Sandoz, Inc.*,____ U.S. ____, 135 S. Ct. 831, 841, ____ L.Ed.2d ____ (2015). We review underlying factual determinations concerning extrinsic evidence for substantial evidence and the ultimate construction of the claim de novo. *See id.* Because there is no issue here as to extrinsic evidence, we review the claim construction de novo.

Claim 10 includes the following limitation: "a speedometer integrally attached to said colored display." '074 patent col. 7 l. 10. Cuozzo argues that the board improperly construed the phrase "integrally attached." The Board construed "integrally attached" as meaning "discrete parts physically joined together as a unit without each part losing its own separate identity." J.A. 9. Cuozzo contends that the correct construction of "integrally attached" should be broader—"joined or combined to work as a complete unit." Appellant's Br. 33. Before the Board, Cuozzo stated that its construction would cover "a display that both functionally and structurally integrates the speedometer and the colored display, such that there only is a single display." J.A. 10. Cuozzo argues that the Board's claim construction improperly excludes a single-LCD embodiment of the invention wherein the speedometer and the speed limit indicator are on the same LCD.

The phrase "integrally attached" was not included in either the specification or the claims as originally filed. The phrase was introduced by an amendment to claim 10 to overcome a rejection that the claim was anticipated under § 102(e) by Awada.[9]

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[9] Claim 10 of the '074 patent corresponds to the claim numbered as claim 11 during patent prosecution.

Prior to amendment, claim 10 included the limitation: "a speedometer attached to said speed limit display." J.A. 100. Cuozzo's proposed amendment to that limitation recited "a speedometer integrally attached to said colored display." *Id.* In proposing the amendment, Cuozzo argued that the amendment overcame Awada because

> "[t]he cited Awada (6,515,596) lacks a speedometer integrally attached to the speed limit display The vehicle's driver is forced to look in two

We see no error in the Board's interpretation. The word "attached" must be given some meaning. As the Board explained, it would "be illogical to regard one unit as being 'attached' to itself." J.A. 9. The specification further supports the Board's construction that the speedometer and the speed limit are independent—it repeatedly refers to a speed limit indicator independent of any speedometer and states that "the present invention essentially comprises a speed limit indicator comprising a speed limit display and an attached speedometer." '074 patent col. 2 ll. 52–54. The Board did not err in its claim construction.

C

The third question is whether claims 10, 14, and 17 were obvious. We review the Board's factual findings for substantial evidence and review its legal conclusions de novo. *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1361 (Fed. Cir. 2012). The ultimate determination of obviousness under § 103 is a question of law based on underlying factual findings. *Id.* (citing *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966)). What a reference teaches and the differences between the claimed invention and the prior art are questions of fact which we review for substantial evidence. *Id.* (citations omitted). Cuozzo states that, "[f]or the pur-

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> separate locations and then mentally compare the speed limit with his vehicle's speed to determine how close he is to speeding if he is not already doing so sufficiently to activate the light and/or tone. In contrast, the present invention provides an integrated display allowing the driver to immediately ascertain both his speed and its relation to the prevailing speed limit."
>
> J.A. 104–105.

poses of this appeal, claims 10, 14, and 17 rise and fall together." Appellant Br. 17 n.1. Therefore, we analyze only claim 10.

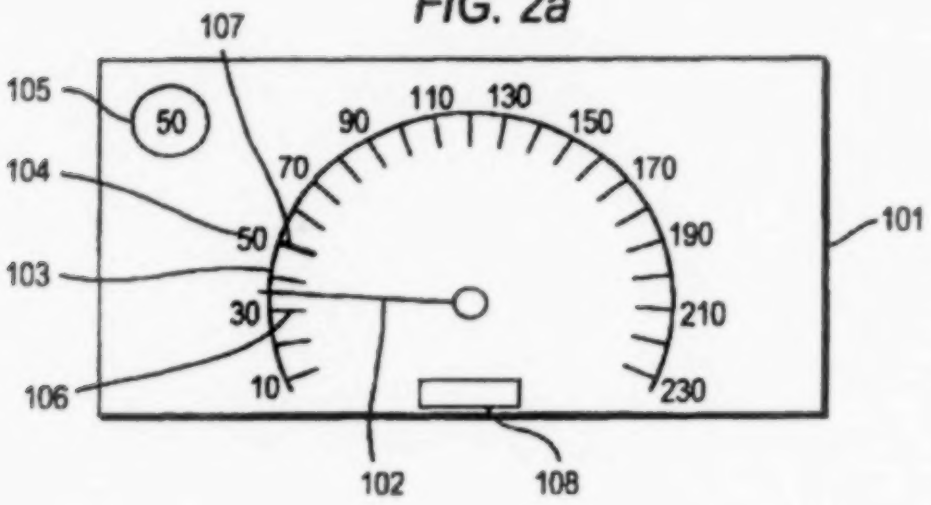
Even under its own claim construction, Cuozzo agrees that the disclosed mechanical embodiment with a red colored filter is within the claim scope. In the analog embodiment disclosed in the specification, a red filter is superimposed on a white speedometer so that "speeds above the legal speed limit are displayed in red while the legal speeds are displayed in white " '074 patent col. 5 ll. 35–37. A GPS unit tracks the vehicle's location, and the speed limit at that location is determined. The red filter automatically rotates in response so that speeds over the legal speed limit are displayed in red.

It is a "long-established rule that 'claims which are broad enough to read on obvious subject matter are unpatentable even though they also read on nonobvious subject matter.'" *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1328 n.4 (quoting *In re Lintner*, 59 C.C.P.A. 1004, 458 F.2d 1013, 1015 (1972)) (internal alterations omitted). Thus if the mechanical embodiment is obvious, claim 10 is obvious. The Board determined that the mechanical embodiment was obvious over Aumayer, Evans, and Wendt. We see no error in that determination.

Aumayer discloses a display which shows a vehicle's speed and indicates the current speed limit by highlighting the appropriate mark on a speed scale or by producing a scale mark of a different length or color. Aumayer col. ll. 12, col. 5 ll. 19–31. Aumayer further teaches obtaining the current location of a vehicle from an on-board GPS, *id.* Abstract, col. 4 ll. 41–45, and "updating the speed limit data stored in the

vehicle by means of a radio connection by means of a data carrier," *id.* col. 2 ll. 54–57. Figure 2a provides an illustration:

FIG. 2a



Element 105 displays a maximum speed limit, and element 107 highlights this same speed limit on the speed scale. The pointer designated by element 102 displays the vehicle's current speed.

Evans discloses a transparent plate that "bears warning indicia, for example, a special color and/or a plurality of marks, spaces, ridges, etc. so that when the speedometer dial is viewed through it, a portion of the dial representing speeds in excess of a predetermined limit are demarked by the warning indicia." Evans col. 2 ll. 3–8. The plate is generally fixed but can be removed and recut and/or repositioned in order to extend over a different range of numbers on the dial. Figure 3 is illustrative:

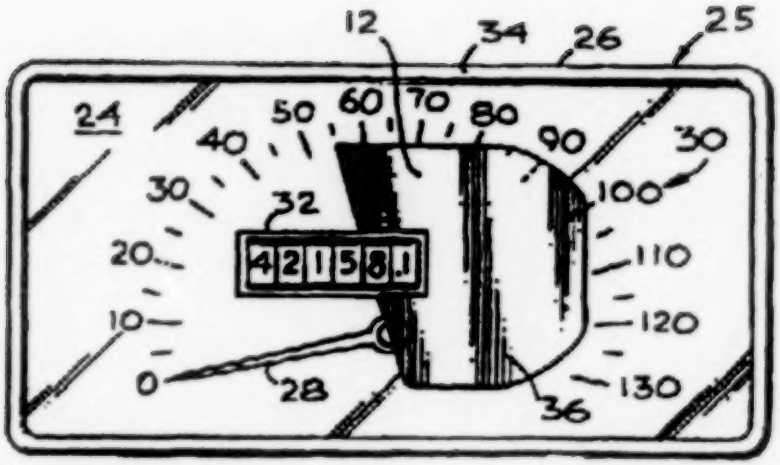


Fig. 3

Wendt discloses a speed limit indicator which is attachable by a suction cup to the cover of a speedometer. The indicator has a pointer which is rotatable to indicate the current speed limit.

Cuozzo argues that Aumayer, Evans, and Wendt do not disclose "continuously updat[ing] the delineation of which speed readings are in violation of the speed limit at a vehicle's present location," as required by claim 10. '074 patent col. 7 ll. 6–9. In particular, Cuozzo contends that Aumayer discloses updating speed limits associated with a region and not with a geographic position determined by the GPS locating device. The Board found that "it is indisputable that Aumayer displays the speed limit for the current location of a vehicle as determined by a GPS receiver, and not merely the speed limit for a certain class of road in a given region without any connection to the vehicle's current location." J.A. 34. The Board's finding is supported by substantial evidence.

Cuozzo also argues that there is no motivation to combine Aumayer, Evans, and Wendt because

Aumayer is an automatic device while Evans and Wendt are manual devices. However, "[a]pplying modern electronics to older mechanical devices has been commonplace in recent years." *Leapfrog Enters., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1161 (Fed. Cir. 2007). It would have been obvious to combine Aumayer, Evans, and Wendt to arrive at the analog embodiment. Cuozzo does not contend that any secondary considerations argue against a finding of obviousness.

Claim 10 would have been obvious over Aumayer, Evans, and Wendt because it encompasses the analog embodiment of the invention discussed in the specification. We need not address whether claim 10 is also obvious over Tegethoff, Awada, Evans, and Wendt, as the Board also concluded.

D

Finally, we consider whether the Board properly denied Cuozzo's motion for leave to amend, finding that Cuozzo's substitute claims would enlarge the scope of the patent. Cuozzo moved to substitute claim 10 with the following substitute claim 21:

> A speed limit indicator comprising:
> a global positioning system receiver determining a vehicle's present location, a vehicle's present speed and a speed limit at the vehicle's present location;
> a display controller connected to said global positioning system receiver, wherein said display controller adjusts a colored display in response to signals indicative of the speed limit at the vehicle's present location from said global positioning system receiver to continuously update the delineation of

which speed readings determined by the global positioning system receiver are in violation of the speed limit at the vehicle's present location; and

a speedometer integrally attached to said colored display,

wherein the speedometer comprises a liquid crystal display, and

wherein the colored display is the liquid crystal display.

J.A. 357–58.

The statute and PTO regulation bar amendments which would broaden the scope of the claims. 35 U.S.C. § 316(d)(3); 37 C.F.R. § 42.221(a)(2)(ii). In the past, we have construed this requirement in the context of reissues and reexaminations. In both contexts, we have applied the test that a claim "is broader in scope than the original claims if it contains within its scope any conceivable apparatus or process which would not have infringed the original patent." *Tillotson, Ltd. v. Walbro Corp.*, 831 F.2d 1033, 1037 n.2 (Fed. Cir. 1987) (in the reissue context); see *In re Freeman*, 30 F.3d 1459, 1464 (Fed. Cir. 1994) (quoting *Tillotson*, 831 F.2d at 1037 n.2) (in the reexamination context). The same test applies in the context of IPRs. Therefore, we inquire whether Cuozzo's proposed substitute claims would encompass any apparatus or process that would not have been covered by the original claims.[10] The Board held that claim 21

[10] Cuozzo argues that its substitute claim is narrowing because it is limited to the single-LCD embodiment and no longer would encompass the mechanical embodiment. This argument misstates the test for broadening. "[A] claim is broadened if it is broader in any respect than the original claim, even though it may be narrowed in other respects." *In re Rogoff*, 46 C.C.P.A. 733, 261 F.2d 601, 603

was broadening because it would encompass a single-LCD embodiment wherein both the speedometer and the colored display are LCDs, which was not within the original claims. Cuozzo argues that the proposed claims were not broadening and instead copied limitations from two dependent claims in the patent.

Based on the proper construction of the phrase "integrally attached," we agree with the PTO that Cuozzo's proposed amendment is broadening. Cuozzo itself argues that the motion to amend was denied solely because of the PTO's interpretation of "integrally attached," and argues only that a remand is necessary if we were to reverse the Board's claim construction (which we have not done). Cuozzo admits that the Board's construction of "integrally attached" "excludes the single LCD embodiment of the invention in which the speedometer includes an LCD that is the colored display." Appellant Br. 33. Proposed claim 21 recites "a speedometer integrally attached to said colored display, wherein the speedometer comprises a liquid crystal display, and wherein the colored display is *the* liquid crystal display." J.A. 358 (emphasis added). The word "the," emphasized in the quoted language above, requires a single-LCD embodiment that includes both the speedometer and the colored display in one LCD. Because proposed claim 21 would encompass an embodiment not encompassed by claim 10, it is broadening, and the motion to amend was properly denied.

AFFIRMED

(1958); *see also Senju Pharm. Co., Ltd. v. Apotex Inc.*, 746 F.3d 1344, 1352 (Fed. Cir. 2014).

NEWMAN, *Circuit Judge*, dissenting.

I respectfully dissent, for several of the panel majority's rulings are contrary to the legislative purpose of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (effective September 16, 2012).

The America Invents Act established a new Inter Partes Review system for the purpose of "providing quick and cost effective alternatives to litigation." H.R. Rep. No. 112-98, pt. 1, at 48 (2011), 2011 U.S.C.C.A.N. 67, 78. This purpose was achieved by providing a new adjudicatory proceeding in the administrative agency, the Patent and Trademark Office in the Department of Commerce, whereby a newly formed Patent Trial and Appeal Board (PTAB) serves as a surrogate for district court litigation of patent validity. The goal is improved service to technology-based innovation, and thus to the nation. The panel majority thwarts the statutory plan in several ways.

First, the panel majority holds that the PTAB, in conducting its adversarial proceedings, need not and should not apply the same legal and evidentiary standards as would apply in the district court. Instead, the panel majority authorizes and requires treating the claims of an issued patent in the same way as pending claims in the patent application stage, where claims are subject to the "broadest reasonable interpretation" examination protocol. The panel majority thus precludes achieving review of patent validity in Inter Partes Review comparable to that of the district courts, where validity is determined based on the correct claim construction, not an artificially "broadest" construction.

This court has approved the use of "broadest reasonable interpretation" as an expedient in examination and reexamination, but our approval was based on the unfettered opportunity to amend in those proceedings. That opportunity is not present in Inter Partes Review; amendment of claims requires permission, and since the inception of Inter Partes Review, motions to amend have been granted in only two cases, although many have been requested.[1]

The purpose of Inter Partes Review is to "convert" inter partes reexamination "from an examinational proceeding to an adjudicative proceeding." H.R. Rep. No. 112-98, pt. 1, at 46. *See also* 157 Cong. Rec. S1111 (Mar. 2, 2011) (statement of Sen. Leahy) (the purpose is to "decrease[] the likelihood of expensive litigation because it creates a less costly, in-house administrative alternative to review patent validity claims"). By refusing to apply to Inter Partes Review the procedural and substantive law of the district courts, the panel majority defeats the legislative purpose, for the PTO tribunal cannot serve as a surrogate for district court litigation if the PTAB does not apply the same law to the same evidence.

Second, and as a further departure from the legislative plan, the panel majority holds that the "final and nonappealable" statutory provision relating to

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[1] *See* Andrew Williams, *PTAB Update – The Board Grants Its Second Motion to Amend (At Least in Part)*, PATENT DOCS (Jan. 8, 2015), http://www.patentdocs.org/2015/01/ptab-update-the-board-grants-its-second-motion-to-amend-at-least-in-part.html; *see also* Jennifer E. Hoekel, *PTAB Grants First Opposed Motion to Amend Claims – Patent Trial and Appeal Board*, THE NATIONAL LAW REVIEW (Jan. 14, 2015), http://www.natlawreview.com/article/ptab-grants-first-opposed-motion-to-amend-claims-patent-trial-and-appeal-board.

whether to institute Inter Partes Review means that "§ 314(d) must be read to bar review of all institution decisions, even after the Board issues a final decision." Maj. op. at 1289. Does this mean that such decisions can never be judicially reviewed, even if contrary to law, even if material to the final appealed judgment? This ruling appears to impede full judicial review of the PTAB's final decision, further negating the purpose of the America Invents Act to achieve correct adjudication of patent validity through Inter Partes Review in the administrative agency.

Several other aspects of the America Invents Act are incorrectly or confusingly treated. For example, as Cuozzo points out, here the PTAB decision relies on arguments and evidence that had not been raised in the petition to institute, although the statute requires that all arguments and evidence must be presented in the petition. The panel majority holds that "[t]he fact that the petition was defective is irrelevant because a proper petition could have been drafted." Maj. op. at 1290. Such broad and conflicting departure from the statutory provisions cannot have been intended.

Inter Partes Review is intended as a far-reaching and powerful surrogate for district court validity determinations. The plan is that an adversarial proceeding in the PTO will resolve most issues of patent validity, without the disruption and expense and delay of district court litigation. I write in dissent because the court today moves Inter Partes Review in directions contrary to the language and intent of the America Invents Act, thereby impeding its purpose to serve as a surrogate for district court litigation.

I

Inter Partes Review as surrogate for district court litigation

The goal of Inter Partes Review is to rehabilitate the innovation incentive, by reinforcing valid patents and eliminating invalid patents through an expeditious and cost-effective alternative to litigation, on whose results the innovation community can rely. To this end, the new Inter Partes Review proceedings provide for discovery, expert testimony, depositions, subpoenas, briefs, and oral argument by adversaries. *See Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) (the America Invents Act created an adversarial proceeding as in the district courts, where all appropriate evidence can be adduced).

Inter Partes Review is limited to patent validity, for validity is a central issue in patent litigation, and often is dispositive of the entire litigation. To serve as a reliable substitute for district court validity determination, the legislation was designed to achieve the same correct decision as would be obtained in a district court on the same evidence and the same law. However, this court holds that PTAB adjudication need not conform to the law and consider the same evidence as in the courts. Instead, the panel majority authorizes the PTAB to employ the expedients and shortcuts that were developed for the give-and-take of examination and reexamination, instead of determining validity as a matter of fact and law, as required in the courts.

Although the PTAB is authorized to apply trial and evidentiary procedures, my colleagues hold that the PTAB need not apply the same rules of law and evi-

dence as in the district courts. It is critical to the success of Inter Partes Review that it serve its purpose as a district court surrogate, yet it is not disputed that the "broadest reasonable interpretation" of claims and technology can differ from the ultimately correct decision on the standards of *Phillips v. AWH Corp.*, 45 F.3d 1303 (Fed. Cir. 2005) (en banc). This built-in discrepancy defeats the legislative purpose of substituting administrative adjudication for district court adjudication, for a PTAB decision based on this artificial "broadest" standard cannot substitute for litigation directed to the correct result.

A

My colleagues argue that Inter Partes Review is simply a reexamination of the patent, and thus should be conducted on the same broadest reasonable interpretation as for reexamination. This argument is negated by the heavy legislative emphasis on differences from reexamination as achieved by these new procedures.

The House Report states that the America Invents Act "converts" Inter Partes Reexamination "from an examinational proceeding to an adjudicative proceeding." H.R. Rep. No. 112-98, pt. 1, at 46 (2011), 2011 U.S.C.C.A.N. 67, 77; *see also id.* at 75 (describing post-grant review and Inter Partes Review as "adjudicative systems"). The Report further explains:

> Unlike reexamination proceedings, which provide only a limited basis on which to consider whether a patent should have issued, the post-grant review proceeding permits a challenge on any ground related to invalidity under section 282. The intent of the post-grant review process is to

> enable early challenges to patents . The Committee believes that this new, early-stage process for challenging patent validity will make the patent system more efficient and improve the quality of patents and the patent system.

Id. at 46. It is undisputed that Congress intended that Inter Partes Review would differ from examination or reexamination, and that these new proceedings would be adjudicative, like the validity proceedings in the district courts. In the PTAB's words, "[a]n inter partes review is neither a patent examination nor a patent reexamination," but is "a trial, adjudicatory in nature [which] constitutes litigation." *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper No. 50, at 4 (PTAB Feb. 13, 2014).

To implement the intent of the America Invents Act, the administrative judges of the PTAB must apply the same procedural and substantive law as the district courts. By adopting the examination protocol of broadest reasonable interpretation, the PTO and the panel majority negate the legislative purpose, for the PTAB tribunals cannot serve as a surrogate for district court litigation if the PTAB does not apply the same law to the same evidence. Instead, Inter Partes Review will merely become another mechanism for delay, harassment, and expenditure, despite the Congressional warning:

> While this amendment is intended to remove current disincentives to current administrative processes, the changes made by it are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the sec-

> tion as providing quick and cost effective alternatives to litigation.

H.R. Rep. No. 112-98, pt. 1, at 48 (2011), 2011 U.S.C.C.A.N. 67, 78.

The broadest reasonable interpretation standard is not a rule of law, but a pragmatic protocol applied in patentability examination and reexamination. *See In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984) (giving claims their broadest reasonable interpretation "serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified"); *see also, e.g., In re Hyatt*, 211 F.3d 1367, 1372 (Fed. Cir. 2000); *In re Zletz*, 893 F.2d 319, 322 (Fed. Cir. 1989). The broadest reasonable interpretation is an examination expedient, not a canon of construction. It serves not to state the correct meaning of the claim, but to provide a framework for clarification and amendment.

Contrary to the panel majority's theory, the differences between reexamination and the new post-grant proceedings are very relevant to Inter Partes Review. The standard for adjudication of validity is set forth in *Phillips v. AWH Corp.*, where claims are given their correct construction as understood by a person of ordinary skill in the field of the invention. Adoption of a broadest interpretation renders the PTAB rulings legally unreliable, leaving the parties to district court proceedings, whatever the decision of the PTAB. That was not the legislative plan.

B

The panel majority holds that it is irrelevant that the America Invents Act does not mention a "broadest

reasonable interpretation" standard, stating that endorsement of this approach is "implicit" in the legislative silence. Maj. op. at 1281. To the contrary, the language of the America Invents Act demonstrates that Congress did not intend that the PTAB tribunals would construe claims differently from the district courts.

While the reexamination, interference, and reissue statutes and regulations refer to the "patentability" of a claim, 35 U.S.C. §§ 305; 135; 37 C.F.R. § 1.97, the term "validity" is used throughout the Inter Partes Review statute. 35 U.S.C. § 316. The distinction is carefully made in the statute, for "validity" is the province of adjudication, while "patentability" applies to examination. *See In re Donaldson Co., Inc.*, 16 F.3d 1189, 1193 (Fed. Cir. 1994) (referring to "a patentability determination in the PTO or a validity or infringement determination in a court"). This distinction is significant.

The America Invents Act refers to the "proper meaning of a patent claim," *see* 35 U.S.C. § 301(d) (referring to "the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324"). The "proper meaning of a patent claim" is the correct meaning. Correctness is the province of the courts, and correctness is the purpose of Inter Partes Review.

C

The panel majority further argues that the Federal Circuit has "approved" the "broadest reasonable interpretation" standard in "a variety of [PTO] proceedings." Maj. op. at 1279–80. Indeed we have, explaining in *In re Yamamoto* that the expedient of broad

interpretation during examination and reexamination is based on the ready ability to amend claims, the *Yamamoto* court stressing this difference from judicial proceedings:

> An applicant's ability to amend his claims to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents. When an application is pending in the PTO, the applicant has the ability to correct errors in claim language and adjust the scope of claim protection as needed. This opportunity is not available in an infringement action in district court.

740 F.2d at 1572.

In routine examination and reexamination, the amendment of a claim is a fluid, back-and-forth process between an examiner and the applicant, who may present proposed amendments and new claims. Reexamination is "conducted according to the procedures established for initial examination under the provisions of Sections 132 and 133." 35 U.S.C. § 305. The focus of reexamination proceedings "returns essentially to that present in an initial examination." *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985). It is significant that when claims in reexamination are not eligible for amendment, as when a patent has expired, the PTO instructs examiners not to use the broadest reasonable interpretation. MPEP § 2258 G states:

> In a reexamination proceeding involving claims of an expired patent, claim construction pursuant to the principle set forth by the court in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005) (words of a claim "are generally given their ordi-

> nary and customary meaning" as understood by a person of ordinary skill in the art in question at the time of the invention) should be applied since the expired claims are not subject to amendment.

The panel majority is incorrect in stating that Inter Partes Review proceedings are "not materially different" from pre-AIA proceedings with respect to the opportunity to amend. Maj. op. at 1280.

It is reported that the ability to amend claims in Inter Partes Review proceedings, as administered by the PTO, is almost entirely illusory. Amendment requires permission, 37 C.F.R. § 42.20(b), and to date motions to amend have been granted in only two cases, *see supra* note 1. Patent owners are limited to "one motion to amend," and are presumptively limited to substituting one issued claim for one amended claim. 37 C.F.R. § 42.221(a)(3). Additional motions to amend are allowed only "to materially advance the settlement of a proceeding" or "as permitted by regulations prescribed by the Director." 35 U.S.C. § 316(d)(2).

It is beyond debate that Inter Partes Review does not allow the kind of iterative amendment process that initially justified adoption of a "broadest reasonable interpretation" protocol in examination and reexamination.

D

The panel majority states that the PTO is acting within its rulemaking authority. The Supreme Court has stated that "although an agency's interpretation of the statute under which it operates is entitled to some deference, 'this deference is constrained by our

obligation to honor the clear meaning of a statute, as revealed by its language, purpose, and history.'" *Se. Cmty. Coll. v. Davis*, 442 U.S. 397, 99 S.Ct. 2361, 60 L.Ed.2d 980, (1979) (quoting *Teamsters v. Daniel*, 439 U.S. 551, 566 n.20, 99 S.Ct. 790, 58 L.Ed.2d 808 (1979)); *see also Muwwakkil v. Office of Pers. Mgmt.*, 18 F.3d 921, 925 (Fed. Cir. 1994) ("When an agency's interpretation of a statute it is entrusted to administer is contrary to the intent of Congress, as divined from the statute and its legislative history, we owe it no deference.").

In promulgating 37 C.F.R. § 42.300(b), the PTO departed from the purpose of the America Invents Act to create a reliable substitute for district court litigation. The invocation of the "broadest" construction rather than the correct construction is inconsistent with the language, purpose and history of the America Invents Act. Regulations must implement the statute they seek to serve, not defeat it. *See Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 213–14, 96 S.Ct. 1375, 47 L.Ed.2d 668 (1976) ("The rulemaking power granted to an administrative agency charged with the administration of a federal statute is not the power to make law. Rather, it is the power to adopt regulations to carry into effect the will of Congress as expressed by the statute."). Pending potential legislative action, it is our obligation to interpret the statute in accordance with its legislative purpose.[2]

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[2] On December 5, 2013, the House passed H.R. 3309, amending section 316(a) to state that in Inter Partes Review "each claim of a patent shall be construed as such claim would be in a civil action to invalidate a patent under section 282(b), including constructing each claim of the patent in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent . " H.R.

In sum, the procedure whereby claims are given their broadest reasonable interpretation instead of their correct construction defeats the purpose of Inter Partes Review as a surrogate for district court litigation.

II

The nonappealable decision to institute Inter Partes Review

The America Invents Act states that the PTO's decision whether to institute Inter Partes Review is "final and nonappealable." 35 U.S.C. § 314(d). The panel majority holds that this means that rulings in connection with the institution of Inter Partes Review, whether review is granted or denied, cannot be appealed to any court, either by interlocutory appeal or on appeal of final judgment. That is not what the statute states, or requires.

The panel majority "conclude[s] that § 314(d) prohibits review of the decision to institute IPR even after a final decision. On its face, the provision is not directed to precluding review only before a final decision. It is written to exclude all review of the decision whether to institute review." Maj. op. at 1276. On this conclusion, the panel majority holds that we are barred by § 314(d) from reviewing compliance with the statutory limits of Inter Partes Review.

The majority acknowledges that situations may arise "where the PTO has clearly and indisputably ex-

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Rep. No. 113-279, at 13–14 (2013). The corresponding Senate bill was reported to have stalled for reasons unrelated to this section. This proposed clarification is further evidence of legislative intent.

ceeded its authority," and suggests that possibly "mandamus may be available to challenge the PTO's decision to grant a petition to institute IPR after the Board's final decision." Maj. op. at 1290. This hint is disputed by the PTO, pointing to the Federal Circuit's strict requirements for mandamus.

The ultimate authority regarding what a statute says and how it applies is the judiciary. The purpose of the "nonappealable" provision apparently is to bar interlocutory proceedings and harassing filings by those seeking to immobilize the patent or exhaust the patentee. The bar of interlocutory appeals is routine. However, sensitive scrutiny is required, not blanket enlargement for all circumstances. In *Bowen v. Michigan Academy of Family Physicians*, 476 U.S. 667, 106 S.Ct. 2133, 90 L.Ed.2d 623 (1986) the Court explained that "[f]rom the beginning 'our cases [have established] that judicial review of a final agency action by an aggrieved person will not be cut off unless there is persuasive reason to believe that such was the purpose of Congress' " *Id.* at 670, 166 S.Ct. 2133 (alteration in original) (quoting *Abbott Labs. v. Gardner*, 387 U.S. 136, 140, 87 S.Ct. 1507, 18 L.Ed.2d 681 (1967)).

Cuozzo points out that here the PTAB decision relies on arguments that had not been raised in the petition for review, contrary to the requirements of the statute. 35 U.S.C. § 312(a)(3) (the petition must identify the grounds and evidence as to each challenged claim). The panel majority holds that "[t]he fact that the petition was defective is irrelevant because a proper petition could have been drafted." Maj. op. at 1290. Is this prohibited appellate review of the nonappealable petition? Or simply a curious departure from the fundamental rule of administrative action,

that agency decisions must be reviewable on appeal? *In Block v. Community Nutrition Institute*, 467 U.S. 340 (1984), the Court elaborated on the principle of judicial review of agency determinations. The Court summarized:

> Whether and to what extent a particular statute precludes judicial review is determined not only from its express language, but also from the structure of the statutory scheme, its objectives, its legislative history, and the nature of the administrative action involved.

Id. at 345, 104 S.Ct. 2450.

The statute requires thoughtful adjustment to the legislative purpose, not heavy-handed foreclosure of all review of anything related to the petition.

Conclusion

The America Invents Act has the purpose of "providing quick and cost effective alternatives to litigation." H.R. Rep. No. 112-98, pt. 1, at 48 (2011), 2011 U.S.C.C.A.N. 67, 78. The PTO is authorized to review the validity of issued patents in accordance with new procedures, to reach the correct decision, but faster, cheaper, and sooner than in the district court. The panel majority fails to implement the statutory purpose.

APPENDIX E

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GARMIN INTERNATIONAL, INC. and GARMIN USA, INC.
Petitioner

v.

CUOZZO SPEED TECHNOLOGIES LLC
Patent Owner

Case IPR2012-00001
Patent 6,778,074

Date: November 13, 2013

Before JAMESON LEE, MICHAEL P TIERNEY, and JOSIAH C. COCKS, *Administrative Patent Judges.*

LEE, *Administrative Patent Judge.*

FINAL WRITTEN DECISION

35 U.S.C. § 318(a) and 37 C.F.R. § 42.73

BACKGROUND

A. Introduction

Petitioner, Garmin International Inc. and Garmin USA, Inc. ("Garmin"), filed a petition on September 16, 2012, for *inter partes* review of claims 1-20 of Patent 6,778,074 ("the '074 Patent") pursuant to 35 U.S.C. §§ 311 et seq. On January 9, 2013, the Board denied the petition as to claims 1-9, 11-13, 15, 16, and 18-20, and instituted trial for claims 10, 14, and 17, on two grounds of unpatentability. Paper 15.

After institution of trial, Cuozzo Speed Technologies LLC, ("Cuozzo") filed a Patent Owner Response ("PO Resp."). Paper 31. Cuozzo also filed a Motion to Amend Claims by substituting proposed new claims 21-23 for claims 10, 14, and 17. Paper 32. Garmin filed a Reply (Paper 40) to the Patent Owner Response, and also its Opposition (Paper 39) to Cuozzo's Motion to Amend Claims. Cuozzo then filed a Reply (Paper 44) to Garmin's Opposition to Cuozzo's Motion to Amend Claims.

Oral hearing was held on August 16, 2013.[1]

The Board has jurisdiction under 35 U.S.C. § 6(c). This final written decision is issued pursuant to 35 U.S.C. § 318(a) and 37 C.F.R. § 42.73.

Garmin has shown that claims 10, 14, and 17 are unpatentable.

Cuozzo's Motion to Amend Claims is *denied*.

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[1] A transcript of the oral hearing is included in the record as Exhibit 3005.

B. The Invention of the '074 Patent[2]

The disclosed invention of the '074 Patent relates to a speed limit indicator and method for displaying speed and the relevant speed limit for use in connection with vehicles. Ex. 3006, 1:9-11. Specifically, the speed limit indicator and the method for displaying speed and the relevant speed limit have particular utility in connection with displaying the current speed of a vehicle and how it relates to the legal speed limit at the current location of a vehicle. Ex. 3006, 1:11-16. The invention eliminates the need for the driver to take his or her eyes off the road to look for speed limit signs, and resolves any confusion that might exist as to what is the current legal speed limit. Ex. 3006, 1:22-25. The specification states that by allowing the driver to keep his or her eyes on the road more, the speed limit indicator reduces the chance of an accident. Ex. 3006, 1:27-29.

Only one embodiment is described in the specification of the '074 Patent with a meaningful degree of specificity. It is a mechanical embodiment that does not make use of a liquid crystal display for displaying speed or how the current speed relates to the speed limit for the current location of the vehicle.

Figure 1 is reproduced below:

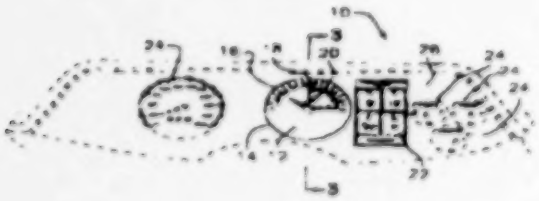


FIG. 1

[2] The Board has added a copy of the '074 patent as Exhibit 3006.

Figure 1 illustrates a specifically disclosed embodiment. In that embodiment, speedometer 12 is mounted on dashboard 26. Ex. 3006, 5:8-9. It has a backplate 14 made of plastic, speed denoting markings 16 painted on backplate 14, a colored display 18 made of a red plastic filter, and a plastic needle 20 rotatably mounted in the center of backplate 14. Ex. 3006, 5:8-11. A global positioning system receiver 22 is positioned adjacent to speedometer 12, and other gauges typically present on a vehicle dashboard 26 are also provided. Ex. 3006, 5:13-15.

Figure 2 is reproduced below

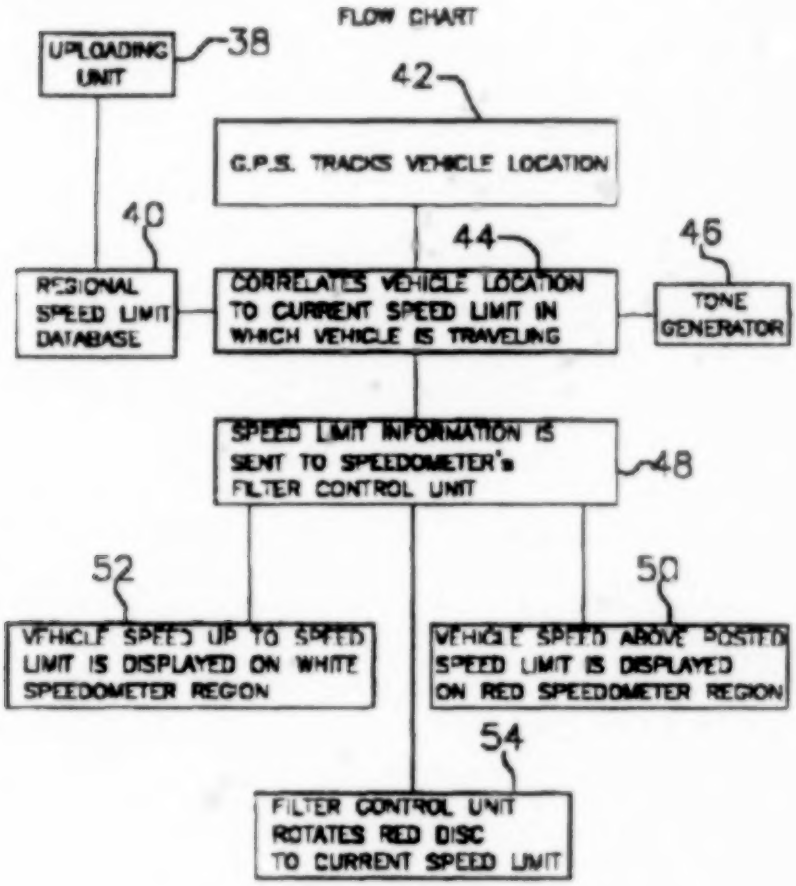


FIG. 2

Figure 2 illustrates in block diagram form the steps carried out by a speed limit indicator shown in Figure 1. Referring to the flowchart of Figure 2, the specification of the '074 Patent describes operation of the speed limit indicator as follows (Ex. 3006, 5:25-39, emphasis added):

> Uploading unit 38 uploads current data to a regional speed limit database 40. The global positioning system receiver 42 tracks the vehicle's location and speed, and identifies the relevant speed limit from the database for that location. The global positioning system receiver compares the vehicle's speed and the relevant speed limit 44, and uses a tone generator 46 to generate a tone in the event that the vehicle's speed exceeds the relevant speed limit. The speed limit information is sent from the global positioning system receiver to a filter control unit 48. **The control unit adjusts the colored filter so that the speeds above the legal speed limit are displayed in red 50 while the legal speeds are displayed in white 52. This is accomplished by the control unit rotating the red filter disc 54 to the appropriate degree.**

Thus, in the step shown in block 54, a filter control unit rotates a red filter disc, which is element 18 in Figure 1, to cover portions of the speed display on speedometer 12, such that readings covered or overlapped by the red filter disc reflect speeds above the speed limit for the current location of the vehicle.

In column 6 of the '074 Patent, lines 31-34, there is brief mention of a different embodiment. It also is stated generally (Ex. 3006, 6:11-14):

> And although a red filter disc has been described, it should be appreciated that the colored display herein described could also take the form of a liquid crystal display.

In that regard, claim 12, which depends on claim 10, also recites that "said colored display is a liquid crystal display." Ex. 3006, 7:15-16. The above-quoted text does not describe any specific implementation and indicates only generally that a liquid crystal display may be used in place of the red filter disc. That does not describe an embodiment in which the speed readings themselves "and" the delineation of which speeds are above the speed limit at the current location are both shown on the same liquid crystal display. As is noted by Garmin (Reply at 3, n.1), the liquid crystal display simply may provide colored lighting to a conventional mechanical speedometer needle and backplate.

Similarly, claim 18, which depends on claim 10, recites "wherein said speedometer comprises a liquid crystal display," but does not provide any manner of specific implementation. It only indicates, generally, that the speedometer may include a liquid crystal display. That does not describe an embodiment in which the speed readings themselves "and" the delineation of which readings are above the speed limit are both shown on the same liquid crystal display.

During oral argument, counsel for Cuozzo acknowledged that even if the features added by dependent claims 12 and 18 are considered together, the

combination does not require use of one liquid crystal display to show both speed readings themselves and a delineation of whether the current speed exceeds an applicable speed limit for the current location of the vehicle. Ex. 3005, 78:6-9.

C. The Alleged Grounds of Unpatentability

The prior art references as applied to claims 10, 14, and 17 are:

Aumayer	U.S. 6,633,811	Oct. 14, 2003; filed Oct. 19, 2000	Ex. 1001
Awada	U.S. 6,515,596	Feb. 4, 2003; filed Mar. 8, 2001	Ex. 1010
Tegethoff	German DE 19755470 A1 English Translation	Sept. 24, 1998	Ex. 1002 Ex. 1003
Evans	U.S. 3,980,041	Sept. 14, 1976	Ex. 1009
Wendt	U.S. 2,711,153	June 21, 1955	Ex. 1011

Citations to Tegethoff refer to its English translation, Ex. 1003.

The Board instituted trial on the following grounds of unpatentability:

Reference(s)	Basis	Claims Challenged
Aumayer, Evans, and Wendt	§ 103	10, 14, 17
Tegethoff, Awada, Evans, and Wendt	§ 103	10, 14, 17

DISCUSSION

An appropriate construction of the term "integrally attached" in independent claim 10 is central to the patentability analysis of claims 10, 14, and 17.

Claim 10 is reproduced below (emphasis added):

10. A speed limit indicator comprising:

a global positioning system receiver;

a display controller connected to said global positioning system receiver, wherein said display controller adjusts a colored display in response to signals from said global positioning system receiver to continuously update the delineation of which speed readings are in violation of the speed limit at a vehicle's present location; and

a speedometer integrally attached to said colored display.

Claim 10 requires that a speedometer be "integrally attached" to a colored display, which is adjustable to update continuously the delineation of which speeds are in violation of the speed limit at the vehicle's present location. Claim 14 depends on claim 10, and claim 17 depends on claim 14.

A. Claim Construction

Principles of Law

In an *inter partes* review, claim terms in an unexpired patent are interpreted according to their broadest reasonable construction in light of the specification of the patent in which they appear. 37 C.F.R. § 42.100(b); *Office Patent Trial Practice Guide*, 77 Fed. Reg. 48756, 48766 (Aug. 14, 2012). Claim terms are also given their ordinary and customary meaning as would be understood by one of ordinary skill in the art in the context of the entire disclosure. *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007).

If an inventor acts as his or her own lexicographer, the definition must be set forth in the specification with reasonable clarity, deliberateness, and precision. *Renishaw PLC v. Marposs Societa' per Azioni*, 158 F.3d 1243, 1249 (Fed. Cir. 1998). Neither Petitioner nor Patent Owner contends that the specification of the '074 Patent, as filed, coined a new meaning for any term.

If a feature is not necessary to give meaning to what the inventor means by a claim term, it would be "extraneous" and should not be read into the claim. *Renishaw PLC*, 158 F.3d at 1249; *E.I. du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430, 1433 (Fed. Cir. 1988). The construction that stays true to the claim language and most naturally aligns with the inventor's description is likely the correct interpretation. *See Renishaw PLC*, 158 F.3d at 1250.

Board's Construction of "integrally attached"

According to plain and common usage, the central characteristic of "integrally attached" stems from the word "attached." That is because the term "integrally" modifies "attached" by specifying a form of attachment. The general characteristic of two components being "attached" to each other cannot be eliminated whatever is the effect of adding "integrally" to modify "attached."

For a speedometer to be "integrally attached" to a colored display, there must be a speedometer and a colored display that are separately identifiable from each other, or else "attached" effectively would be read out of the claim. Adding the modifier "integrally" does not negate or nullify "attached." That does not mean the speedometer and the colored display may not share any part. But it does mean that the sharing may not be so substantial, e.g., the entirety of the colored display is subsumed within the speedometer, that the speedometer and the colored display lose their separate identities. It would be illogical to regard one unit as being "attached" to itself.

The Board construes "integrally attached" as applied to the colored display and the speedometer in the context of the disclosure of the '074 Patent as meaning:

> discrete parts physically joined together as a unit without each part losing its own separate identity.

In the joined unit, the colored display is still the colored display and the speedometer is still the speedometer; each retains its own separate identity. That is consistent with the specification. With reference to

Figure 1, the specification of the '074 Patent discloses that colored display 18 in the form of a red plastic filter is a separate item from backplate 14, speed denoting marking 16 on backplate 14, and needle 20. Ex. 3006, 5:9-12. All of those other components, exclusive of the red plastic filter, form the speedometer, which is separate from the colored display.

Cuozzo's Construction of "integrally attached"

Cuozzo disagrees with the Board's construction, and argues that "integrally attached" should be construed to mean: joined or combined to work as a complete unit. PO Resp. 3. On the surface, it would appear that the difference between the Board's construction and Cuozzo's construction is that Cuozzo's construction is broader and encompasses the Board's construction, because Cuozzo's construction does not require two separate parts to retain their separate identities. In actuality, however, Cuozzo's construction is not broader.

If Cuozzo's construction is broader and encompasses the Board's construction, then whatever prior art that applies under the Board's construction still applies under Cuozzo's construction and claims 10, 14, and 17 would be equally unpatentable. Responding to the Board's inquiry at oral argument, counsel for Cuozzo acknowledged that Cuozzo's construction is "not" just broader than the Board's construction. Ex. 3005, 62:6-22.

Cuozzo's construction is diametrically different from the Board's construction, because Cuozzo reads its construction as requiring an "integral display" in the sense that there are no longer separate identities between the speedometer and the colored display.

Cuozzo's arguments are directed to an "integral display" rather than a speedometer that is "integrally attached" to a colored display as actually is recited in claim 10.

Cuozzo's construction reads out the "attached" portion of the "integrally attached" recitation in the claim. Cuozzo effectively converts the claim feature actually claimed to an "integral display" that shows both current speed readings and the delineation of which speed readings are in violation of the speed limit. During oral argument, counsel for Cuozzo indicated that under Cuozzo's construction, there has to be a display that both functionally and structurally integrates the speedometer and the colored display, such that there only is a single display. Ex. 3005, 36:3-37:18.

The Specification and Prosecution History

The term "integrally attached" does not appear in the specification and original claims of the application, which was filed on March 18, 2002, and later issued as the '074 Patent. The term was proposed during examination by amendment to application claims 1 and 11 to distinguish over Awada.[3] Ex. 1013, 1-3. In the remarks submitted with that amendment, support for the feature that the speedometer is "integrally attached" to the colored display is said to exist in parts of the specification that are now column 5, lines 9-12, column 5, lines 45-49, and Figures 1, 3, and 4 of the '074 Patent. Ex. 1013, 7:23-25.

The above-quoted portions of the specification describe speedometer backplate 14, speed denoting

[3] Application claim 11 issued as patent claim 10.

markings 16 painted on backplate 14, and plastic needle 20, as separate and discrete elements from the colored display 18, which is a rotatable red plastic filter. The specification of the '074 Patent discloses that colored display 18, in the form of a red plastic filter, is a separate item from backplate 14, speed denoting marking 16 on backplate 14, and needle 20, which form a speedometer separate from the red plastic filter. Ex. 3006, 5:9-12.

Thus, Cuozzo relied on separate and discrete components, joined as one unit, as providing written description support for "integrally attached."

We are cognizant that the specification of the '074 Patent states: "Speedometer 12 has a backplate 14 made of plastic, speed denoting markings 16 painted on backplate 14, a colored display 18 made of a red plastic filter, and a plastic needle 20 rotatably mounted in the center of backplate 14." Ex. 3006, 5:9-12. That is an expression that speedometer 12 includes colored display 18, which appears to be contrary to the Board's construction of "integrally attached." But there is no such inconsistency, as is explained below.

With respect to the mechanical embodiment shown in Figure 1 and described in column 5, lines 9-12, and column 5, lines 45-49, even though there is language referring to speedometer 12 as including colored display 18, there is no language referring to speedometer 12 as being "integrally attached" to the colored display 18. Had there been such language, coexistent with language noting that the speedometer includes the colored display, we would accord it appropriate weight.

Speedometer 12 is a speedometer with or without red plastic filter 18. It is speedometer 12 without the red plastic filter 18 that is "integrally attached" to the colored display that is red plastic filter 18. Cuozzo does not contend, and reasonably cannot contend, that speedometer 12 is not a speedometer unless colored display 18 is a component of the speedometer. The construction that stays true to the claim language, e.g., "integrally attached," and most naturally aligns with the inventor's description is likely the correct interpretation. *See Renishaw PLC*, 158 F.3d at 1250. It is illogical to regard an apparatus as being attached to a component completely contained within itself.

When amending application claims to distinguish the claimed invention from Awada, the applicant stated, Ex. 1013, 7:25-8:2:

> The cited Awada (6,515,596) lacks a speedometer integrally attached to the speed limit display (column 2, lines 40-42 and Figs. 1 and 4-6). The vehicle's driver is forced to look in two separate locations and then mentally compare the speed limit with his vehicle's speed to determine how close he is to speeding if he is not already doing so sufficiently to activate the light and/or tone.

Figure 1 of Awada is reproduced below:

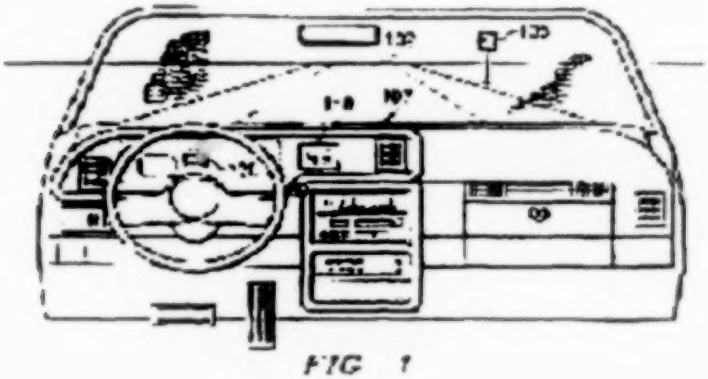


FIG 1

Figure 1 illustrates a display 110, separate and remote from the speedometer, which shows the speed limit. Display 110 showing the speed limit is located at a substantial distance from the speedometer, which is located at a conventional location within the dashboard of the vehicle. "Integrally attached" would require the speedometer and the display 110 to be combined physically as one unit, without each losing its own separate identity, thus providing a distinction from Awada's arrangement. It is not necessary to read into the claims an "integral display" to provide such a distinction, and converting "integrally attached" to "integral display" would read out of the claims the plain and ordinary meaning of "attached."

Expert testimony

We also have considered Cuozzo's argument that the disclosure in the '074 Patent as filed would teach one with ordinary skill in the art to combine the speedometer readout with speed limit information on the colored display, resulting in an electronic embodiment making use of a common LCD (liquid crystal display) shared by the speedometer and the colored display. Cuozzo states:

> Prof. Morris explained how these disclosures, in his opinion, would teach one of skill in the art "to combine the speedometer readout with the speed limit information on the LCD." Morris Decl., Exhibit 2002 to Paper 21, at ¶¶ 27-29. The resulting electronic embodiment would have a common LCD component shared by the speedometer and colored display.

PO Resp. 5:12-17.

Cuozzo's argument and the supporting testimony of Prof. Morris are unpersuasive.

Prof. Morris states: "It is my opinion that it would be natural for one skilled in the art at the time of the invention to combine the speedometer readout with the speed limit information on the LCD." Ex. 2002 ¶ 28. Prof. Morris further states: "It is my opinion that the mention of an LCD in confirmed claims 12 and 18 and col. 3, lines 4-6 and col. 6, lines 10-14 of the '074 [Patent] implies that there is an electronic embodiment to one skilled in the art at the time of the invention." Ex. 2002 ¶ 29.

The language of Prof. Morris's statements is vague. It is uncertain just how much is deemed to be described by the disclosure itself, and how much is filled-in or completed by one with ordinary skill in the art, who possesses ordinary creativity and is not an automaton. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 421 (2007). What would have been obvious to one with ordinary skill in the art does not establish what actually is described in the specification. *Lockwood v. Am. Airlines, Inc.*, 107 F.3d 1565, 1572 (Fed. Cir. 1997). In any event, even assuming that such an embodiment is deemed to have been disclosed, the specification explains inadequately why such an embodiment would be covered by the claim language at issue, i.e., "integrally attached" as applied to the speedometer and a colored display.

Furthermore, it is undisputed that an electronic embodiment is disclosed in the specification, just not an electronic embodiment that makes use of the same liquid crystal display to show current speed readings of the speedometer and delineations of which speed readings are in violation of the speed limit at the pre-

sent location of the vehicle. Prof. Morris's testimony refers broadly to an electronic embodiment, not specifically to an electronic embodiment that makes use of a common liquid crystal display for showing speed readings and delineations of which speed readings are in violation of the speed limit.

Even assuming that an electronic embodiment of the right type is deemed to have been disclosed, it is explained inadequately why such an embodiment would be covered by the claim language at issue, i.e., "integrally attached" as applied to the speedometer and a colored display.

We find the following testimony of Prof. Morris, on cross-examination, meaningful and instructive (emphasis in original):

> **Q But the claims never specifically recite that the speedometer and the colored display are implemented on the same LCD; right?**
>
> MR. CONNOR: Objection to form.
>
> A I never saw that specific thing said, that they should be, said they should be integrated. The amendment said that they were integrally attached or the important feature was that they were integrated in the same place, but I never saw the specific words put all these on the same LCD display.

Ex. 1021, 11:41:2-12. Thus, even Cuozzo's own expert, Prof. Morris, recognizes a distinction between (1) a speedometer that is "integrally attached" to a colored display, and (2) an integrated or integral electronic

display using a single liquid crystal display. The former is what is claimed, not the latter.

Consistent with the Board's claim construction, Prof. Morris states that it would be "uncommon" to refer to two things displayed on a common display as attached. Ex. 1021, 18:69:2-6. Prof. Morris additionally states that he would not use the term "attached" to refer to the relationship between two items that are graphically displayed on the same display. Ex. 1021, 18:70:23-18:71:2.

Prof. Morris further states: "It is further my opinion that the Amendment [Ex. 1013 discussed previously] provides a reasonable basis for finding that the inventor added the term 'integrally' to claim 10 to limit the attachment to an integrated display that displays the speed and speed limit in the same location." Ex. 2002 ¶ 32. The language used by Prof. Morris actually comports more with the Board's construction of "integrally attached," not Cuozzo's construction. Prof. Morris refers to displaying speed and speed limit "in the same location," which is not the same as using the same liquid crystal display to show speed and speed limit. We decline to equate one to the other.

District Court Interpretations

Cuozzo argues that its construction of "integrally attached" is supported by a U.S. District Court's construction of "integrally connecting" in *Safety Rail Source, LLC v. Bilco Co.*, 656 F.Supp.2d 468 (D.N.J. 2009). PO Resp. 8:16-18. According to Cuozzo, the District Court concluded that "integrally connecting" requires the connected pieces be joined to make up a single complete piece or unit, such that the connection

becomes part of the single complete unit. PO Resp. 9:5-8.

Cuozzo also cites to *Sci. Specialties Inc. v. Thermo Fisher Sci. Inc.*, 684 F.Supp.2d 1187, 1191-1193 (N.D. Cal. 2010), for its determination that "integral and integrally must mean something more than contiguous." PO Resp. 9, n.3.

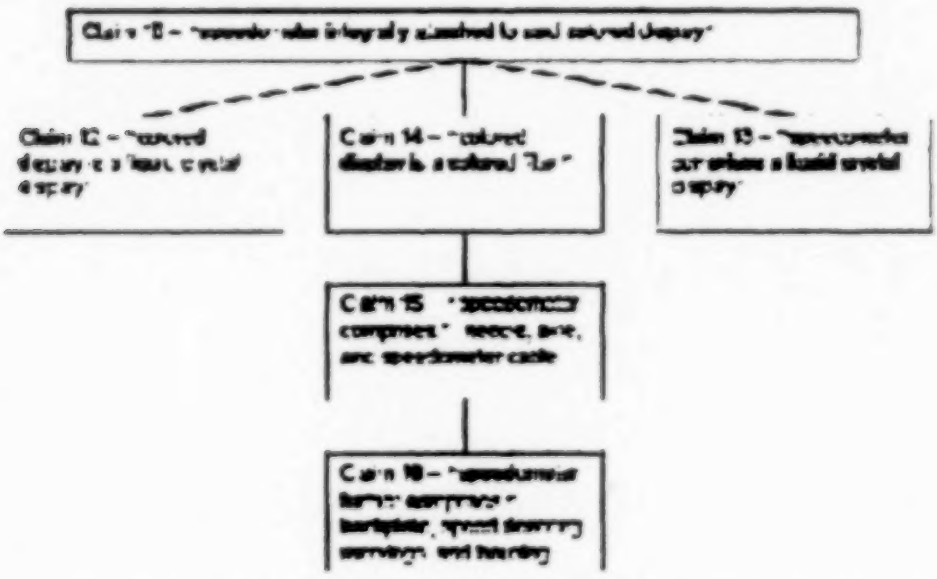
The Board's construction of "integrally attached" in this case is not at odds with the District Court's construction of "integrally connecting" in *Safety Rail Source, LLC.* According to Cuozzo, the District Court stated that weight must be given to "integrally." PO Resp. 8:18-20. The Board has given due weight to "integrally" as a modifier to "attached." The two parts must be physically joined together as one unit.

Cuozzo's arguments are unpersuasive. The terms at issue are different. "Attached" is not the same as "connecting." "Integrally attached" is not the same as "integrally connecting." The involved patents all have different disclosures. The field of invention and the level of ordinary skill in the art have not been shown to be the same for all cases. The arguments presented by the parties and the expert testimony on the issue have not been shown to be the same for all cases. Each case must be decided on its own facts. Also, Cuozzo presents the terms at issue out of context, without the preceding and succeeding text in the involved claim or claims. There is not an adequate basis to make a proper comparison. Furthermore, district courts do not apply the rule of broadest reasonable interpretation for construing claim terms. Additionally, in the Board's construction, "integrally" has a significance that is more than just "contiguous."

Doctrine of Claim Differentiation

Cuozzo argues that the doctrine of claim differentiation supports its claim construction. PO Resp. 9-13. The argument is without merit.

An independent claim is presumed to be broader than a claim dependent thereon. Under the doctrine of claim differentiation, when a dependent claim adds a limitation relative to the independent claim on which it depends, there is a rebuttable presumption that the independent claim does not require that limitation. *Bancorp Servs. L.L.C. v. Sun Life Assur. Co. of Can.*, 687 F.3d 1266, 1275 (Fed. Cir. 2012); *Phillips v. AWH Corp.*, 415 F.3d 1303, 1315 (Fed. Cir. 2005). Cuozzo provides a diagram, reproduced below (PO Resp. 11):



The diagram illustrates the relationship between certain claims. We agree with Cuozzo's assertion that because each of dependent claims 12 and 18 additionally recites a liquid crystal display relative to independent claim 10, independent claim 10 is presumed not to require that liquid crystal display and, thus,

may read on a mechanical embodiment. We also agree with Cuozzo's assertion that because each of dependent claims 14-16 additionally recites mechanical components for the colored display or the speedometer, independent claim 10 is presumed not to require those mechanical components and, thus, also may read on an electronic embodiment employing a liquid crystal display. It reasonably is not disputable, and has not been disputed by Garmin, that independent claim 10 reads on a mechanical embodiment as well as an electronic embodiment having at least one liquid crystal display, which either is the colored display (claim 12) or is comprised within the speedometer (claim 18).

The rest of Cuozzo's application of the doctrine of claim differentiation, however, is misplaced, as explained below, even though Cuozzo correctly notes that dependent claim 12 adds the feature that said colored display of claim 10 is a liquid crystal display, and that dependent claim 18 adds the feature that the speedometer of claim 10 comprises a liquid crystal display. PO Resp. 12:5-7.

Cuozzo contends that neither claim 12 nor claim 18, presumably via the respective feature added thereby, requires the speedometer's liquid crystal display to be separate from the colored display's liquid crystal display. PO Resp. 12:7-8. On that basis, Cuozzo asserts that claim 18 encompasses a single electronic display that itself operates as a speedometer, or at least the display portion of a speedometer, and a colored display. PO Resp. 12:15-17. Therefore, Cuozzo argues that because independent claim 10 is presumed to be broader than dependent claim 18, claim 10 also must not require the liquid crystal display of the speedometer and the liquid crystal display of the colored dis-

play to be separate. PO Resp. 12:18 to 13:2. Cuozzo thus reasons that the "integrally attached" feature of independent claim 10 "must encompass a single electronic display that itself operates as a speedometer (or at least display portion of a speedometer) and a colored display." PO Resp. 13:3-7.

To the extent that it can be understood, we rephrase, more clearly, the reasoning of Cuozzo as follows:

> Because a feature added by dependent claim 12 or by dependent claim 18 does not include a requirement that the liquid crystal display of the speedometer (claim 18) and the liquid crystal display that is the colored display (claim 12) are separate liquid crystal displays, independent claim 10 also must not have that requirement. Thus, claim 10 must read on a single electronic display that operates as the speedometer display and as the colored display.

The doctrine of claim differentiation does not stand for the proposition that if a dependent claim does not add a certain limitation by further recitation, then the independent claim on which it depends is presumed to be without that limitation. The failure of a dependent claim to add a requirement in its recitations relative to an independent claim on which it depends cannot negate or nullify a limitation that is already in the independent claim. The doctrine of claim differentiation cannot broaden claims beyond their correct scope, determined in light of the specification and the prosecution history and any relevant extrinsic evidence. *Multiform Desiccants, Inc. v. Medzam*, Ltd., 133 F.3d 1473, 1480 (Fed. Cir. 1998).

A correct application of the doctrine of claim differentiation supports the Board's claim construction. Claim 13 indirectly depends on claim 10 through claim 12, and claim 13 specifies that the display controller adjusts the liquid crystal display independently of the speedometer. Claim 17 indirectly depends on claim 10 through claim 14, and claim 17 specifies that the display controller rotates the colored filter independently of the speedometer. Such a claim structure means claim 10 must be sufficiently broad to cover the case in which the speedometer and the colored display retain their separate identities and are independently operable. Claim 10 cannot require a single integral display.

B. Antedating Aumayer and Awada

Aumayer has an effective filing date of October 19, 2000. Awada has an effective filing date of March 8, 2001. Both Aumayer and Awada qualify as prior art under 35 U.S.C. § 102(e)(2), because the effective filing date of each is earlier than the effective filing date of the '074 Patent.

Cuozzo has sought to disqualify Aumayer and Awada as prior art, by demonstrating a date of invention prior to the effective filing date of the references, because 35 U.S.C. § 102(e)(2) requires a prior art patent to have been filed "before the invention by the applicant for patent." *See, e.g.*, *Loral Fairchild Corp. v. Matsushita Elec.*, 266 F.3d 1358, 1362 (Fed. Cir. 2001); *Mahurkar* v. *C.R. Bard, Inc.*, 79 F.3d 1572, 1577 (Fed. Cir. 1996). Priority of invention goes to the first party to reduce to practice unless the other party can show that it was the first to conceive the invention and that it exercised reasonable diligence in later reducing that invention to practice. *Brown v.*

Barbacid, 276 F.3d 1327, 1337 (Fed. Cir. 2002); *Cooper v. Goldfarb*, 154 F.3d 1321, 1327 (Fed. Cir. 1998); *Mahurkar*, 79 F.3d at 1577.

Conception

An inventor's testimony, standing alone, is insufficient to prove conception, as some form of corroboration is required. *Mahurkar*, 79 F.3d at 1577; *Price v. Symsek*, 988 F.2d 1187, 1194 (Fed. Cir. 1993). A rule of reason applies to determine whether the inventor's testimony has been corroborated. *Price*, 988 F.2d at 1194. The requirement for corroboration of inventor's testimony arose out of a concern that inventors testifying at trial would be tempted to remember facts favorable to their case by the lure of protecting their patent or defeating another's patent. *Mahurkar*, 79 F.3d at 1577.

Cuozzo's inventor, Giuseppe A. Cuozzo, states in his declaration (Ex. 3001, ¶¶ 8-9) that on November 28, 1999, he was pulled over and ticketed by a police officer for speeding, and that while the officer was writing the ticket:

> I [Giuseppe A. Cuozzo] came up with the idea of using GPS technology combined with instrumentation for displaying a speed limit and its relation to vehicle speed in a manner that would alert a driver as to whether he or she was speeding without requiring the driver to refer to roadside speed limit signs.

The above-noted testimony of the inventor lacks corroboration. The driving record of the inventor, submitted as Exhibit B of Exhibit 3001, corroborates only that the inventor received a speeding ticket on

November 28, 1999, not anything that Giuseppe A. Cuozzo conceived on that day. In that regard, there is only what the inventor himself states he conceived on that day.

Furthermore, Cuozzo has not explained adequately how the above-quoted idea properly accounts for (1) a colored display and adjustments of the colored display, as are recited in independent claim 10 and carried into dependent claims 14 and 17, (2) a colored filter as is recited in claim 14, and (3) a display controller that rotates the colored filter independently of the speedometer to update continuously the delineation of which speed readings are in violation of the speed limit at the vehicle's present location.

Accordingly, Cuozzo has not established that Giuseppe A. Cuozzo conceived of the invention of claims 10, 14, or 17, as of November 28, 1999.

Cuozzo also submitted the inventor's written disclosure to the Invention Submission Corporation, Exhibit E of Exhibit 3001, titled "Disclosure To ISC And Record Of Invention," to show conception. Garmin does not dispute the sufficiency of the content of that disclosure for showing conception of the subject matter of claims 10, 14, and 17, and we are satisfied with the sufficiency of its technical content. In that regard, for purposes of antedating a prior art reference, the evidence of prior invention may be sufficient if it demonstrates obviousness of the claimed invention. *E.g.*, *In re Spiller*, 500 F.2d 1170, 1178 (CCPA 1974); *In re Stryker*, 435 F.2d 1340, 1341 (CCPA 1971).

However, the date of that invention disclosure needs corroboration other than the inventor's own representation. The disclosure document is a form

including a series of questions with spaces filled-in by answers in handwriting presumably by the inventor Giuseppe A. Cuozzo, and the date of the document is partially filled-in by handwriting as "30th" day of "OCTOBER" 20"00." Exhibit E of Exhibit 3001. We recognize that our reviewing court has set forth clearly that corroboration is not required when a party seeks to prove conception through the use of physical exhibits. *Mahurkar*, 79 F.3d at 1577. But that principle is directed to the technical content of a document, not to the date or origin of the document.

The law requires sufficient proof for the date and identity of a physical exhibit offered to show conception. In that regard, the Federal Circuit stated "[t]his rule is not new to patent law" and observed:

> [C]onception by an inventor, for the purpose of establishing priority, **can not be proved by his mere allegation nor by his unsupported testimony where there has been no disclosure** to others or embodiment of the invention in some clearly perceptible form, such as drawings or model, **with sufficient proof of identity in point of time.** For otherwise[,] such facile means of establishing priority of invention would, in many cases, offer great temptation to perjury, and would have the effect of virtually precluding the adverse party from the possibility of rebutting such evidence. Hence it has been ruled in many cases that the mere unsupported evidence of the alleged inventor, on an issue of priority, as to conception and the time thereof, can not be received as sufficient proof of prior conception.

Price v. Symsek, 988 F.2d at 1194-95 (emphases added) (citations omitted).

The signature of a witness appears on the front page of the invention disclosure document, at a location just below the filled-in date of October 30, 2000. If the signature is authenticated by testimony of the witness, it would serve as effective corroboration that the document existed on October 30, 2000. However, Cuozzo offered no testimony from the witness and has not indicated the identity of the witness who presumably witnessed the document on October 30, 2000. Cuozzo also has not represented, much less established, that the copy of the invention disclosure document was obtained from files that have been maintained regularly or continuously as a routine business record, which may serve as circumstantial evidence of corroboration under a rule of reason analysis.

On this record, and under a rule of reason analysis, the earliest date of conception we accord Cuozzo is December 8, 2000. The record includes a letter from a patent attorney to the inventor, Exhibit H of Exhibit 3001, dated December 8, 2000, which refers to the inventor's "Disclosure to ISC and Record of Invention." A pertinent part of that letter is reproduced below (emphasis in original):

> You authorized ISC to provide us with information we require and have authorized us to provide ISC with information concerning the work we are performing on your behalf. We have received from ISC your **"Disclosure to ISC and Record of Invention"** and other materials relating to your invention and your relationship with ISC. We will immediately commence the preliminary patentability search.

Corroboration can be by independent circumstantial evidence. *Lacotte v. Thomas*, 758 F.2d 611, 613

(Fed. Cir. 1985). The source and content of the letter constitutes sufficient independent circumstantial evidence to corroborate the existence of inventor's "Disclosure To ISC and Record of Invention" that is Exhibit E of Exhibit 3001, as of December 8, 2000.

Reasonable Diligence

We now turn to the issue of reasonable diligence toward reduction to practice. During the period in which reasonable diligence must be shown, there must be continuous exercise of reasonable diligence. *In re McIntosh*, 230 F.2d 615, 619 (CCPA 1956); *see also Burns v. Curtis*, 172 F.2d 588, 591 (CCPA 1949) (referring to "reasonably continuous activity"). A party alleging diligence must account for the entire critical period. *Griffith v. Kanamuru*, 816 F.2d 624, 626 (Fed. Cir. 1987); *Gould v. Schawlow*, 363 F.2d 908, 919 (CCPA 1966).

Even a short period of unexplained inactivity is sufficient to defeat a claim of diligence. *Morway v. Bondi*, 203 F.2d 742, 749 (CCPA 1953); *Ireland v. Smith*, 97 F.2d 95, 99-100 (CCPA 1938). In *In re Mulder*, 716 F.2d 1542, 1542-46 (Fed. Cir. 1983), the Federal Circuit affirmed a determination of lack of reasonable diligence, where the evidence of record was lacking for a two-day critical period. Likewise, in *Rieser v. Williams*, 255 F.2d 419, 424 (CCPA 1958), there was no diligence where no activity was shown during the first 13 days of the critical period.

A party alleging diligence must provide corroboration with evidence that is specific both as to facts and dates. *Gould v. Schawlow*, 363 F.2d at 920; *Kendall v. Searles*, 173 F.2d 986, 993 (CCPA 1949). The rule of reason does not dispense with the need for corrobora-

tion of diligence that is specific as to dates and facts. *Gould*, 363 F.2d at 920; *Kendall*, 173 F.2d at 993; *see also Coleman v. Dines*, 754 F.2d 353, 360 (Fed. Cir. 1985).

The record shows two extended periods of little activity, which have not been explained adequately. The first is approximately a two-month period extending from January 2001 to March 2, 2001, and the second is approximately a five-month period extending from March 10, 2001, to August 8, 2001. Both periods are subsequent to the effective filing date of Aumayer, and only the second period is subsequent to the effective filing date of Awada.

First Gap in Showing of Diligence

Inventor Mr. Cuozzo states in Paragraph 16 of his declaration, Exhibit 3001:

> 16. I received a preliminary report in January 2001 that identified several patents as potential prior art. I analyzed these patents and, on March 2, 2001, I sent my analysis to Monica Bealles, ISC Patent Services Coordinator, to forward to Mr. Kaardal [patent attorney], which she did on March 7, 2001. **Exhibit I** is a copy of my analysis, which I faxed to Ms. Bealles along with a copy of her forward to Mr. Kaardal.

The testimony is not specific as to when in January of 2001, Mr. Cuozzo received the preliminary report. On the issue of diligence, because Cuozzo would benefit with a later date of receipt of the preliminary report, we fairly can assume only the earliest day in January as the date of receipt of the report. *Cf.*, *Haultain v. De Windt*, 254 F.2d 141, 142 (CCPA 1958)

(Where testimony places a date to be proven within a time period, no date earlier than the last day has been proven.).

Cuozzo has not explained why it took as long as two months for the inventor to provide comments on the preliminary report, which identified several patents as potential prior art. Specific facts have not been provided for the circumstances and activities that occurred during those two months. For instance, it has not been indicated, even generally, on which days Mr. Cuozzo reviewed and prepared comments on the preliminary search report and why he did not do so on other days. We cannot conclude that during the two-month period from January 1, 2001, to March 2, 2001, there was reasonably continuous activity toward reducing the invention to practice, sufficient to support a determination of reasonable diligence.

Second Gap in Showing of Diligence

Mr. Cuozzo explains that on March 10, 2001, he received yet another "Preliminary Patentability Search Report" stating that "utility patent protection could potentially be obtainable for your invention." Ex. 3001 ¶ 17. Mr. Cuozzo explains that in light of the "good news" that his invention was potentially patentable, he then discussed the patent application process with ISC, and was informed that patenting referral services could not begin until he paid a minimum of $ 3,500 to ISC, and that the total cost was $ 9,945. Ex. 3001 ¶ 18. Mr. Cuozzo states that on August 8, 2001, he delivered a cashier's check to ISC for $ 9,545 and also paid the balance of $ 400 in cash. Ex. 3001 ¶ 19. Thus, approximately five months passed between the time when Mr. Cuozzo received notice, on March 10, 2001, in a patentability search report that a utility pa-

tent was potentially obtainable for his invention, to the time when Mr. Cuozzo commenced the patenting process with ISC on August 8, 2001, by paying the advance fee that was required by ISC.

To explain the extended duration of that time, Mr. Cuozzo stated in Paragraph 19 of his declaration, Exhibit 3001:

> The cost of the ISC Submission Agreement and patent services presented a significant financial obstacle to me, as I had insufficient income and financing through ISC was not an option. My only option was to use money that was in a trust account set up by my parents when I was a child. Gathering that money from the trust account and convincing my parents that I needed to do that took a few months.

The burden is on Cuozzo to show reasonable diligence covering the entirety of the approximately five-month critical period. The above-quoted testimony is not specific as to either dates or facts. The time of concern covers the period from March 10, 2001, to August 8, 2001. The testimony indicates that the only obstacle standing in the way of commencing the patenting process was a minimum advance payment of $ 3,500, even though the entire cost would be $ 9,945, and that there was enough money in the trust account to cover the entire cost.

It is not clear, however, whether Mr. Cuozzo had authority to draw from the trust account or must obtain approval from his parents. While the Patent Owner Response states, on page 21, that the trust account was not accessible to Mr. Cuozzo, and cites to Paragraph 19 of Mr. Cuozzo's declaration, the testi-

mony from Paragraph 19 of the declaration does not so indicate. On cross-examination, Mr. Cuozzo indicated that his parents exercised no control over the amount and frequency of payments from the trust account, which were fixed, and that he actually borrowed the money directly from his parents and then paid them back with money from his trust account when it was paid to him. Ex. 1024, 2-4.

Whether it is obtaining approval from parents to withdraw money from his trust account, or borrowing money from his parents to be paid back by future payments from his trust account, the declaration of Mr. Cuozzo does not present sufficient facts and dates for the approximately five-month critical period. The issue here lies with insufficiency of proof, and not with recognizing that efforts to obtain money to prepare and file a patent application do constitute qualifying activity. It is fund raising for purposes of commercial development, which does not constitute qualifying activity for diligence. *See, e.g., Scott v. Koyama*, 281 F.3d 1243, 1247-48 (Fed. Cir. 2002), *Griffith*, 816 F.2d at 627.

Additionally, Cuozzo has not made known what other efforts, if any, Mr. Cuozzo made during the approximately five-month period, to secure the necessary funding, or at least the $ 3,500 required to initiate the patenting process. On cross-examination, Mr. Cuozzo stated that he did not try to borrow money from anyone else. Ex. 1024, 4:106:11-13. The evidence does not support a conclusion that there was reasonably continuous activity in the approximately five-month period to secure funding to begin the patenting process, sufficient to support a determination of reasonable diligence from March 10, 2001, to August 8, 2001.

Cuozzo has not antedated successfully either Aumayer or Awada. At this stage in the proceeding, both Aumayer and Awada remain as applicable prior art against Cuozzo.

C. Claims 10, 14, and 17 as unpatentable over Aumayer, Evans, and Wendt

Aumayer

Aumayer discloses a method for displaying vehicle speed. Ex. 1001, Abstract: 1-5. Also, it discloses displaying to the driver the speed limit at the current location of the vehicle, as it states: "In addition, speed limits at the current location may be displayed on the speed scale itself by highlighting an appropriate scale mark or producing a scale mark of a different length or color." Ex. 1001, Abstract: 9-12. Aumayer further states that the current location of the vehicle may be determined by an on-board GPS. Ex. 1001, Abstract: 12-13.

Aumayer discloses that the speed limit at the current location of the vehicle is retrieved from a data storage media according to the current location. Ex. 1001, Abstract: 13-15, 4:45-53. Aumayer discloses an electronic embodiment of its invention, which makes use of a liquid crystal display, a plasma screen, or a cathode ray tube. Ex. 1001, 7:34-37. Figure 2d of Aumayer is reproduced below:

FIG. 2d

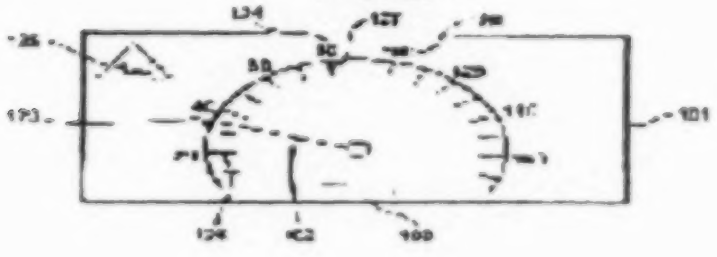


Figure 2d illustrates an embodiment of Aumayer's electronic display. Aumayer describes that the determined speed limit of 80 km/hr for the vehicle's current location is shown by the speed scale value 124 and speed scale mark 127 at the speed limit, both of which are highlighted or emphasized such as by use of color different from that used for the remainder of the display device, by enlargement, and/or by widening, on the electronic display. Ex. 1001, 6:21-27. Aumayer states expressly that the speed limit is highlighted or emphasized by the scale mark 127. Ex. 1001, 6:33-35.

Aumayer discloses continuously updating the applicable speed limit, based on the vehicle's current location. It states (Ex. 1001, 2:36-42):

> It is especially advantageous if an acoustic and/or optical warning signal is produced when the display of the actual vehicle speed and/or the speed limits or maximum allowed speed value changes. The user of the vehicle is thus signaled that he should now consider another speed limit and/or other physical units being used in the region in which the vehicle is now currently located.

Aumayer also discloses updating the stored speed limit data in the vehicle by a radio connection or a data carrier, as it recognizes that maximum speed values may change and desires to display "the correct speed limits." Ex. 1001, 2:57-61.

Aumayer further states that "it is also possible to use a commercial combined apparatus with mechanical display elements for the display device 211." Ex. 1001, 7:42-44. Specific details of that mechanical embodiment are not described. However, Aumayer states that, for example, "a speed limit can be made

visible by background lighting in a different color at the scale mark associated with the corresponding speed limit." Ex. 1001, 7:48-51.

As discussed above, Aumayer describes every feature of claim 10, except for the requirement that the speedometer is "integrally attached" to a colored display that delineates which speed readings are in violation of the speed limit at the vehicle's present location. The single electronic display screen of Aumayer, showing both the image of a speedometer and a colored scale mark indicating the current speed limit, does not meet the claim recitation of a speedometer that is "integrally attached" to a colored display that delineates which speed readings are in violation of the speed limit at the vehicle's present location. The speedometer and the colored display are not discrete components joined to each other with each retaining its own separate identity.

Aumayer states that "it is also possible to use a commercial combined apparatus with mechanical display elements for the display device 211." Ex. 1001, 7:42-44. Aumayer also states that "a speed limit can be made visible by background lighting in a different color at the scale mark associated with the corresponding speed limit." Ex. 1001, 7:48-51. But none of that indicates that a colored display necessarily is attached integrally to the speedometer.

Evans

Evans discloses a combined vehicle speedometer and speed warning indicator. Ex. 1009, 1:68 to 2:23. The speed warning indicator is installed on the speedometer cover. Ex. 1009, 2:16-17. It comprises a transparent plate attached to the front cover of the

speedometer. Ex. 1009, 2:1-3. Evans describes the speed warning indicator as follows, Ex. 1009, 2:3-8 (emphasis added):

> The plate bears **warning indicia**, for example, a **special color and/or a plurality of marks, spaces, ridges, etc.** so that when the speedometer dial is viewed through it, a portion of the dial representing speeds in excess of a predetermined limit are demarked by the warning indicia.

Evans describes that a driver can tell what speeds are under or in excess of the speed limit by making a swift reference to the speedometer through the indicator and seeing whether the speedometer needle is in or out of the warning area on the indicator plate. Ex. 1009, 2:9-13. Evans further describes that the indicator plate can be made adjustable for changes in the speed limit. Ex. 1009, 2:18-19. As shown in Figure 3, reproduced below, the red colored plate 12 is positioned on speed dial 30 so that only the portion of the dial that contains numbers representing speeds in excess of the speed limit is overlaid by the plate:

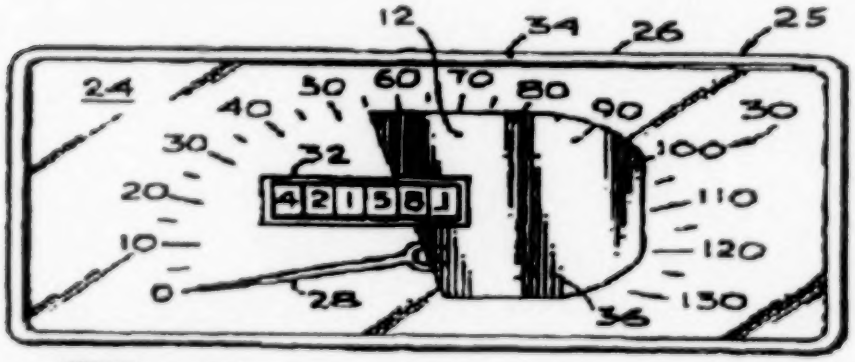


Fig. 3

Figure 3 illustrates the speedometer display and colored plate combination of Evans. The colored plate 12 of Evans is a fixed structure integrally attached to

the speedometer. Although the plate may be removed and replaced, in its operational state it is a fixed, non-moveable, and non-adjustable structure. In that respect, Evans states, Ex. 1009, 3:37-44:

> It will be understood that plate 12 can, if desired, be removed from cover 24 and either another similar plate of different configuration can be substituted or plate 12 can be recut and repositioned or merely repositioned on cover 24 so as to extend over another range of speed numbers on dial 30. For example this would be desirable in the event that the 55 mph current speed limit were abolished.

Wendt

Wendt's invention relates to an automobile speed limit indicator adapted to be used "upon the speedometer of any automobile by being readily attached and adjusted at all times to indicate the proper speed limit by means of a pointer." Ex. 1011, 1:15-20. The speed limit indicator is attachable by a suction cup to the glass cover of a speedometer, and includes a moveable pointer preferably provided with a handle or a knob. Ex. 1011, 2:30-41; 3:12-16. Figure 4 is shown below:

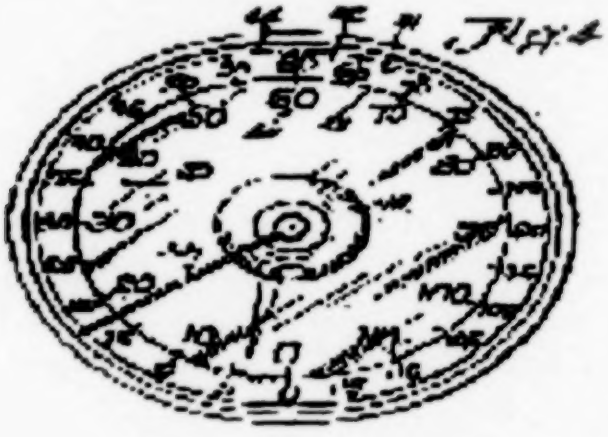


Figure 4 illustrates a front plan view of the speed limit indicator already attached to the glass cover of a speedometer. Wendt describes that when the vehicle operator observes that the speed limit is 20, he turns the pointer 16 to the speedometer indication 20, and that if the speed limit changes to 25, 30, or 35, or whatever it may be, the driver again should adjust the pointer by rotating the knob 17. Ex. 1011, 3:17-25.

The Obviousness Reasoning

In an obviousness analysis, it is not necessary to find precise teachings in the prior art directed to the specific subject matter claimed because inferences and creative steps that a person of ordinary skill in the art would employ can be taken into account. *See KSR Int'l Co.*, 550 U.S. at 418. A basis to combine teachings need not be stated expressly in any prior art reference. *In re Kahn*, 441 F.3d 977, 987-88 (Fed. Cir. 2006). There need only be an articulated reasoning with rational underpinnings to support a motivation to combine teachings. *Id.* at 988. Also, the level of ordinary skill in the art usually is evidenced by the references themselves. *See Okajima v. Bourdeau*, 261 F.3d 1350, 1355 (Fed. Cir. 2001); *In re GPAC Inc.*, 57 F.3d 1573, 1579 (Fed. Cir. 1995); *In re Oelrich*, 579 F.2d 86, 91 (CCPA 1978).

As discussed above, Evans describes a colored plate for indicating the speed limit, which plate is attached integrally to the speedometer in a fixed position but replaceable by a plate having a different shape to reflect a different speed limit. Also as discussed above, Wendt describes use of a rotatable pointer for indicating the applicable speed limit dynamically. Such disclosures of Evans and Wendt logically would have suggested to one with ordinary skill

in the art that the colored plate of Evans can be made dynamically-adjustable by the driver.

In light of Aumayer's electronic speed limit indicator, which makes use of a GPS receiver to determine a vehicle's current location, and which then makes use of the determined location to look up the applicable speed limit at that location for display, one with ordinary skill in the art would have known to apply the same automated approach to the manually-adjustable colored plate suggested by Evans and Wendt. One with ordinary skill possesses ordinary creativity and is not an automaton. *KSR Int'l Co.*, 550 U.S. at 421. In that connection, one with ordinary skill would have recognized and appreciated that the manually-adjustable colored plate of Evans and Wendt can be improved by adding automatic control if the dynamic settings are automatically determinable, as in the case of Aumayer's device. *See, e.g., Leapfrog Enters., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1161-62 (Fed. Cir. 2007). Cuozzo does not argue that one with ordinary skill in the art would not have known how to implement the automatic control on the manually-adjustable colored plate of Evans and Wendt.

Cuozzo argues that Aumayer does not disclose updating continuously the delineation of which speed limit readings are in violation of the speed limit at a vehicle's present location, as is recited in claim 10, because, according to Cuozzo, the speed limit discussed in Aumayer "is a speed limit for a certain class of road in a given region and is not based on the 'vehicle's present location.'" PO Resp. 25:1-5. Cuozzo notes that one with ordinary skill would not consider a region, such as a state, country, or city, as a vehicle's present location. PO Resp. 25:9-11.

The argument is misplaced. Based on facts determined above with regard to Aumayer, it is indisputable that Aumayer displays the speed limit for the current location of a vehicle as determined by a GPS receiver, and not merely the speed limit for a certain class of road in a given region without any connection to the vehicle's current location. Cuozzo does not address, meaningfully, the portions of Aumayer identified and discussed above. Rather, Cuozzo focuses on the manner in which Aumayer obtains the speed limit for the present location of the vehicle.

Cuozzo has identified nothing in the claims that precludes a system from first dividing all possible locations into regions and class of roads within each region, then storing speed limit information based on such organization, and then looking up the applicable speed limit based on a vehicle's current location as determined by a GPS receiver and where that current location falls within the classification. Aumayer discloses that a region is an area having the same speed limit for the same type of streets or roads. Ex. 1001, 8:1-6. Aumayer also discloses that as a vehicle travels from one class of street or road to another, the speed limit display will be changed to reflect any change in the applicable speed limit. Ex. 1001, 5:2-5; 5:63; 2:57-59. It is inconsequential that Aumayer obtains the speed limit for a vehicle's present location by accessing a database, which is organized by regions and class of roads within each region. The updating is as continuous as it needs to be to indicate the speed limit at the current location.

Furthermore, Cuozzo has articulated no purpose, let alone any benefit noted in the disclosure of Aumayer, for displaying to the driver of a vehicle the speed limit of any class of road in any region, when

the vehicle is not presently on that class of road in that region. That is not the invention or the disclosure of Aumayer.

Cuozzo argues that one with ordinary skill in the art would not have combined the dynamic, continuously controlled display system of Aumayer with the immovable color plate 12 of Evans or the manually rotated pointer 16 and rubber suction cup unit of Wendt. PO Resp. 27:6-10. The argument is without merit. The reasoning for arriving at the invention of claim 10, based on the collective teachings of Aumayer, Evans, and Wendt, is articulated and explained above and is not undermined by Cuozzo's argument. As discussed above, one with ordinary skill would have recognized that the dynamically-adjustable colored plate suggested by Evans and Wendt can be improved by adding automatic control, if the dynamic settings are automatically-determinable.

Teaching Away Argument

Cuozzo further argues that all three of Aumayer, Evans, and Wendt teach away from a combination of Aumayer, Evans, and Wendt. The argument is not supported by the respective reference disclosures.

To constitute properly a "teaching away," the teaching must be evaluated from a technological perspective, not merely a comparative perspective. For instance, it is not a "teaching away" of significance unless one with ordinary skill in the art would have understood the teaching as conveying that the method or structural configuration at issue reasonably cannot be expected to achieve what it is required to achieve according to the claimed invention. *See, e.g., Syntex (U.S.A.) LLC v. Apotex, Inc.*, 407 F.3d 1371, 1380

(Fed. Cir. 2005) ("Under the proper legal standard, a reference will teach away when it suggests that the developments flowing from its disclosures are unlikely to produce the objective of the applicant's invention." (citing *In re Gurley*, 27 F.3d 551, 553 (Fed. Cir. 1994))).

A prior art reference must be considered for everything it teaches by way of technology and is not limited to the particular invention it is describing and attempting to protect. *EWP Corp. v. Reliance Universal Inc.*, 755 F.2d 898, 907 (Fed. Cir. 1985). The use of patents as references is not limited to what the patentees describe as their own inventions or to the problems with which they are concerned, as they are a part of the literature and are relevant for all they contain. *In re Heck*, 699 F.2d 1331, 1333 (Fed. Cir. 1983) (citing *In re Lemelson*, 397 F.2d 1006, 1009 (CCPA 1968)).

There is no requirement that anything disclosed in a prior art reference, such as its stated purpose, goal, or objectives, must be preserved or further developed by every reliance on its teachings as prior art. All of the disclosures of a prior art reference, including non-preferred embodiments, must be considered. *In re Lamberti*, 545 F.2d 747, 750 (CCPA 1976); *see also In re Susi*, 440 F.2d 442, 446 n.3 (CCPA 1971) (one is not significantly "taught away" from a "particularly preferred embodiment" by the suggestion that something else may be even better).

According to Cuozzo, because Aumayer describes that its combined instrument (one device for use in multiple countries) "advantageously comprises a display screen so that the method according to the invention can be performed without mechanical or struc-

tural arrangements," Ex. 1001, 2:49-53, it teaches away from combining with Evans and Wendt. PO Resp. 27:10-20. For reasons discussed above, the argument is without merit. A mechanical embodiment is not described as inoperative, just less advantageous or less preferred.

According to Cuozzo, Evans states that use of a speedometer of a special design "like the combined instrument in Aumayer" would be too expensive and unsuccessful. PO Resp. 28:9-17. That is simply incorrect. Evans was issued in 1976 and Aumayer in 2003. Evans could not have been referring specifically to the device of Aumayer. Evans does state that certain specialized speed limit indicator devices have been used in the past but not extensively or successfully. Ex. 1009, 1:46-52. That does not teach away from applying the transparent colored plate of the combined teachings of Evans and Wendt to the glass cover of Aumayer's speed limit indicator.

Evans describes that prior speed limit indicators were expensive and invariably required disassembly of the vehicle speedometer or construction of a new speedometer to substitute for the one with which a vehicle initially is equipped. Ex. 1009, 1:46-52. That does not mean the preexisting speed limit indicators were inoperative or nonfunctional, and certainly not that Aumayer's speed limit indicator appearing 27 years later will be inoperative or nonfunctional, particularly if it is to incorporate the transparent colored plate according to the combined teachings of Evans and Wendt.

According to Cuozzo, the device of Wendt was meant to work with a mechanical speedometer. That is true, but it does not mean Wendt discloses that its

device cannot work with a speedometer with an electronic display. It also does not mean that a combined device of Evans and Wendt will be inoperative, or nonfunctional, if applied to the glass cover of an electronic display.

Cuozzo argues that Wendt teaches away from an automatically adjusting speed limit display such as that disclosed by Aumayer, because Wendt discloses benefits for having the driver manually manipulate the mechanical pointer to adjust the speed limit indication. PO Resp. 29:3-10. The pertinent portion of Wendt is reproduced below (Ex. 1011, 5:8-15):

> The present speed indicator, when used on a speedometer, will discipline the driver and cause him to look for and observe speed limit signs and then make a temporary record of the speed limit by moving the pointer to that point on the speedometer.
>
> It will be a useful aid to the driver to prevent him from forgetting the speed limit and to remind him that the speedometer pointer must not pass the speed limit pointer.

The above-quoted text would not have conveyed to one with ordinary skill in the art that automatic updating of the speed limit display without driver participation cannot be accomplished or would be inoperative or nonfunctional. Rather, one with ordinary skill in the art would have recognized and appreciated that automatic updating of the speed limit display provides the driver of the vehicle a different kind of reminder, a visual reminder through the automatically updated display. Also, as discussed above, there is no requirement that in determining obviousness, every

goal or objective of a prior art reference must be advanced when relying on any technical disclosure of the reference. The obviousness analysis is not an attempt to incorporate every feature of each reference. The value of a prior art reference is not limited to the particular invention it is describing and attempting to protect. *EWP Corp.*, 755 F.2d at 907.

All of Cuozzo's arguments alleging a "teaching away" of the combined teachings of Aumayer, Evans, and Wendt are without merit.

Claim 14 depends on claim 10, and claim 17 depends on claim 14. We are persuaded that claims 10, 14, and 17 would have been obvious over the combined teachings of Aumayer, Evans, and Wendt. With regard to claims 14 and 17, Cuozzo makes no argument separate from those it has raised with respect to claim 10 and already discussed above. With respect to claim 14, we note that the colored display according to the combined teachings of Evans and Wendt is a colored filter. With respect to claim 17, we note that the colored filter according to the combined teachings of Evans and Wendt would be rotated independently by a controller to update continuously the delineation of which speed readings are in violation of the speed limit at the vehicle's present location.

D. Claims 10, 14, and 17 as unpatentable over Tegethoff, Awada, Evans, and Wendt

Tegethoff

Tegethoff discloses an image display system for use on a vehicle, which includes an image screen and an image generating computer. Ex. 1003, 4:2:16-18. The image displayed on the screen imitates analog

mechanical pointer instruments, and in image form cannot be distinguished from actual mechanical devices. Ex. 1003, 4:2:34-40.

Figure 2 of Tegethoff is reproduced below:

Figure 2 illustrates an image of Tegethoff's speedometer display. Ex. 1003, 5:2:30-32. On the image shown is a mark 5 for indicating the currently permissible maximum speed for the road section where the vehicle is located. Ex. 1003, 6:1:9-12. That maximum speed can be set according to an element for navigation and a database. Ex. 1003, 6:1:13-15. Tegethoff describes that the critical markings such as that showing the speed limit can be colored red. Ex. 1003, 7:1:38-45.

Awada

Awada discloses a method and apparatus for reporting the legal speed limit to the driver of a vehicle. Exhibit 1010, 1:36-38. Awada describes using a GPS receiver to determine the present location of the vehi-

cle, and then using that determined position as a search key in a database to retrieve speed limit for that location. Ex. 1010, 1:39-43. The retrieved speed limit then is reported to the driver. Ex. 1010, 1:43-44. Awada discloses that the database of speed limit information may be stored locally or stored in a remote location that is accessible by a wireless communication link. Ex. 1010, 1:39-47. Awada further discloses that in one embodiment a warning chime is played through a speaker or through the earpiece of the driver's cellular telephone, if the vehicle exceeds the speed limit. Ex. 1010, 1:50-55.

Figure 1 of Awada is reproduced below:

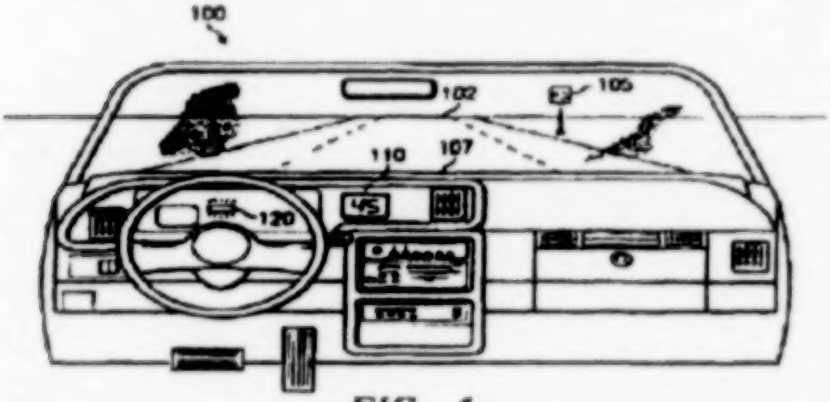


FIG. 1

Figure 1 illustrates an embodiment of Awada's speed limit display. As is depicted in Figure 1, a vehicle is traveling on road 102, which has a posted legal speed limit 105, and mounted on the dashboard 107 of the vehicle is a display 110, which shows the driver the speed limit at the vehicle's current location. Ex. 1010, 2:24-30. Also mounted on the dashboard is a warning light 120, which indicates when the vehicle exceeds the speed limit. Ex. 1010, 2:30-31.

The Obviousness Reasoning

We first address a key argument advanced by Cuozzo, i.e., that the reference to "maximum permissible speed" in Tegethoff is not directed to the speed limit contemplated by the claimed invention, i.e., the legal speed limit. We agree with Cuozzo, that "speed limit" in claim 10 of the '074 Patent means the legal speed limit. However, a legislative speed limit is a legal speed limit.

Cuozzo notes that Tegethoff describes that the "maximum permissible speed" can be set in one of three ways: (1) manually by the driver, (2) "according to an element for navigation and a database with traffic control information," and (3) "by an element for receiving transmitters outside the vehicle for traffic control." PO Resp. 30:11-16. Cuozzo states that none of those ways suggests that the "maximum permissible speed" is the legal speed limit. PO Resp. 30:16-18.

Cuozzo's argument is unpersuasive. It fails to address other language in the disclosure of Tegethoff. In particular, Tegethoff states, Ex. 1003, 7:1:38-48 (emphasis added):

> With the markings shown above in the shape of marks or display bars, the coloring can also help quicker classification of information by the driver. Thus, for example, warnings that require immediate action or represent a critical technical or **legislative limit**, can appear in the color red (e.g., a **maximum speed** or the part of the breaking distance or stopping distance that exceeds the distance to the vehicle ahead).

In light of the above-quoted text referring to the "legislative limit" in the context of a "maximum speed," one with ordinary skill in the art would have recognized that Tegethoff discloses the legislative speed limit as one form of implementation of what is referred to as "maximum permissible speed" in the disclosure of Tegethoff. At the very least, Tegethoff reasonably would have suggested the legislative speed limit as the "maximum permissible speed."

Tegethoff is not sufficiently specific about how its system obtains the "maximum permissible speed," for example, the legislative speed limit. Awada, however, discloses that the legal speed limit can be obtained by using a GPS receiver to obtain the present location of a vehicle, and then using that determined location to access a speed limit database to retrieve the speed limit at the vehicle's current location. Ex. 1010, 1:39-43, 2:24-42.

In light of Tegethoff and Awada, one with ordinary skill in the art would have known to use the method disclosed in Awada to obtain the legal speed limit at the vehicle's current location and regard it as the "maximum permissible speed" in Tegethoff. Tegethoff even specifically mentions the use of "an element for navigation" for setting the maximum speed. Ex. 1003, 6:1:13-16.

As described above, Tegethoff and Awada collectively account for every feature of claim 10, except for the requirement that the speedometer is "integrally attached" to a colored display that delineates which speed readings are in violation of the speed limit at the vehicle's present location. The single electronic display screen of Tegethoff, showing both the image of a speedometer and a colored scale mark indicating

the current speed limit, does not meet the claim recitation of a speedometer that is attached integrally to a colored display that delineates which speed readings are in violation of the speed limit at the vehicle's present location. As is the case with Aumayer, described above, the speedometer and the colored display are not discrete components joined to each other with each retaining its own identity. Rather, there is a single integral display, which performs the function of both the speedometer and colored display.

In light of the colored plate in Evans for indicating the speed limit, which plate is attached integrally to the speedometer in a fixed manner but replaceable by a plate having a different shape to reflect a different speed limit, and also the rotatable pointer of Wendt for indicating the applicable speed limit dynamically, one with ordinary skill in the art would have known to make Evans' colored plate manually-adjustable by the driver to reflect changes in speed limit dynamically.

Based on the combined teachings of Tegethoff and Awada with regard to a speed limit indicator that makes use of a GPS receiver to determine a vehicle's current location, and then makes use of the determined location to look up the speed limit at that location for display, one with ordinary skill in the art would have known to apply an automated approach to the manually-adjustable colored plate of Evans and Wendt. One with ordinary skill would have recognized that the manually-adjustable colored plate of Evans and Wendt can be improved by adding automatic control provided by a GPS receiver and electronically stored speed limit values based on vehicle location, as is disclosed by Tegethoff and Awada. *See, e.g., Leapfrog Enters., Inc.*, 485 F.3d at 1161-62.

Cuozzo argues that Awada merely discusses reporting the speed limit to the driver and nowhere mentions displaying the speed of the vehicle to the driver, much less delineating which "speed readings" of the vehicle are in violation of the applicable speed limit. PO Resp. 32:1-13. The argument is misplaced, because Awada is relied on solely for its teachings of how to obtain the speed limit for the current location of the vehicle. One cannot show non-obviousness by attacking references individually where the grounds of unpatentability are based on combinations of references. *In re Merck*, 800 F.2d 1091, 1097 (Fed. Cir. 1986); *In re Keller*, 642 F.2d 413, 426 (CCPA 1981).

Cuozzo argues that neither Evans nor Wendt discloses or suggests the use of a display controller or a global positioning system receiver. PO Resp. 32:19 to 33:1. That argument equally is misplaced, as it is also premised on attacking the references individually when the ground of unpatentability is based on a combination of references. Evans and Wendt are not relied on for teaching or suggesting the use of a display controller or a global positioning system receiver. Cuozzo's contention does not undermine the obviousness rationale based on the combined teachings of Tegethoff, Awada, Evans, and Wendt.

Cuozzo argues that one with ordinary skill would not have combined Awada's dynamic speed limit display system with the immoveable colored plate 12 of Evans. PO Resp. 34:10-13; 35:2-4. The argument again is misplaced, for attacking references individually cannot show non-obviousness where the ground of unpatentability is based on a combination of references. Evans and Wendt in combination suggest a manually-adjustable colored plate for indicating the speed limit. Cuozzo's reading of Evans as disclosing

an "immovable" colored plate that is not combinable with "dynamic" aspects of Awada's system fails to consider the teachings of Evans and Wendt in collectively conveying an adjustable colored plate indicative of the speed limit.

Cuozzo further makes a number of "teaching away" arguments, all of which misapply the concept of "teaching away" in a similar manner as we have rejected its "teaching away" arguments in the context of Aumayer, Evans, and Wendt.

First, Cuozzo contends that both Tegethoff's and Wendt's manually-adjustable control teach away from a combination with Awada because the potential to set the alert at above the speed limit is contrary to Awada's goal of being alerted when the speed limit is exceeded. PO Resp. 33:14 to 34:2; 34:4-6; 34:19 to 35:5. The argument is without merit. Each of Tegethoff and Wendt is concerned with being alerted of the vehicle's exceeding the legal speed limit. A manual setting is just one implementation of Tegethoff. Other implementations rely on a navigation device and a database. Ex. 1003, 6:1:13-18.

Secondly, Cuozzo argues that Tegethoff and Awada teach away from mechanical speedometers like those used in Evans and Wendt. PO Resp. 35:6 to 36:7. Cuozzo refers to this language in Tegethoff (Ex. 1003, 2:2:33-40):

> The object of the present invention is to create a display system that has the good readability of analog pointer instruments and, moreover, in an easily understandable manner provides additional information that facilitates the safe and economi-

> cal operation of the vehicle. This object is attained with a display system.

Cuozzo also refers to this language in Awada (Ex. 1010, 1:17-20):

> In such cases, it would be helpful if the driver were provided with a constant indication of the posted speed limit, as a display on the dashboard of an automobile, for instance.

Cuozzo's "teaching away" argument is misplaced. The fact that Tegethoff recognizes a benefit of an electronic display over a mechanical speedometer does not mean that elements designed for use with the latter, such as the manually-adjustable colored display of Evans and Wendt, have been indicated as unusable with a speedometer having an electronic display. Even though the device of Evans and Wendt is designed to work with a conventional mechanical speedometer, one with ordinary skill in the art would have recognized that the colored display of Evans and Wendt can be mounted to the glass cover of either a conventional mechanical speedometer or an electronic version of the same. With regard to the above-quoted statement in Awada, Cuozzo fails to point to credible evidence reasonably indicating that the colored display according to the combined teachings of Evans and Wendt cannot be put under automatic control.

In any event, as we already have discussed above, specific goals and advantages noted in a prior art reference need not always be preserved when relying on its technical teachings. A prior art reference must be considered for everything it teaches by way of technology and is not limited to the particular invention it

is describing and attempting to protect. *EWP Corp.*, 755 F.2d at 907.

According to Cuozzo, Evans states that use of a speedometer of a special design "like the display system in Tegethoff and the automatic display system of Awada would be too expensive and unsuccessful." PO Resp. 36:7-9. That is simply incorrect. Evans issued in 1976; Tegethoff issued in 1998; and Awada issued in 2003. Evans could not have been referring specifically to the device of Tegethoff or Awada. Evans does state that certain specialized speed limit indicator devices have been used in the past but not extensively or successfully. Ex. 1009, 1:46-52. It is not evident what that has to do with a teaching away from applying the transparent colored plate of Evans and Wendt to the glass cover of an electronic speed limit indicator of Tegethoff and Awada.

Evans describes that prior speed limit indicators were expensive and required disassembly of the speedometer or construction of a new speedometer. Ex. 1009, 1:46-52. That does not mean preexisting indicators were inoperative or nonfunctional, and certainly not that Tegethoff's or Awada's indicator appearing twenty-two and twenty-seven years later, respectively, will be inoperative or nonfunctional.

According to Cuozzo, the device of Wendt was meant to work in conjunction with a standard mechanical speedometer. However, that does not mean Wendt discloses that its device cannot work with a speedometer having an electronic display. It also does not mean that a combined device of Evans and Wendt will be inoperative, or nonfunctional, if applied to the glass cover of a speedometer with an electronic display.

Cuozzo argues that Wendt teaches away from automatically adjusting the speed limit display, because Wendt discloses benefits for having the driver manually manipulate the mechanical pointer. PO Resp. 37:1-8. We already have rejected that argument in the context of the obviousness ground over Aumayer, Evans, and Wendt. We note further that one with ordinary skill in the art would have recognized that automatic updating of the speed limit display provides the driver a different kind of reminder than that provided by physical manipulation.

Cuozzo's arguments alleging a "teaching away" from a combination of Aumayer, Evans, and Wendt that meets the claimed invention are unpersuasive.

We are persuaded that claims 10, 14, and 17 would have been obvious over Tegethoff, Awada, Evans, and Wendt. With regard to claims 14 and 17, Cuozzo makes no argument separate from those it has raised for claim 10.

E. Cuozzo's Motion to Amend Claims

Cuozzo filed a motion (Paper 32) to amend claims. Cuozzo seeks to replace claim 10 with substitute claim 21, claim 14 with substitute claim 22, and claim 17 with substitute claim 23. Claims 22 and 23 each depend on claim 21.

With respect to claim 10, substitute claim 21 adds:

> wherein the speedometer comprises a liquid crystal display, and wherein the colored display is the liquid crystal display.

The above-noted addition represents more than just incorporating the limitations of original depend-

ent claims 12 and 18 into independent claim 10, because claim 18 recited only that the speedometer comprises a liquid crystal display, not also that the colored display is that same liquid crystal display.

Also included within substitute claim 21 is this limitation pre-existing in claim 10: a speedometer integrally attached to said colored display.

Thus, as written in proposed substitute claim 21, the speedometer has to be "integrally attached" to a colored display, which is a liquid crystal display and which also is a component comprised within the speedometer itself.

Per 35 U.S.C. § 316(d)(3), a claim amendment in an *inter partes* review may not enlarge the scope of the claims of the patent or introduce new matter.

The Patent Owner has the burden to set forth written description support in the original disclosure for each added or amended claim. 37 C.F.R. § 42.121(b)(1). Given the proper construction of "integrally attached," in the context of the original disclosure, Cuozzo has not shown that the original disclosure of the '074 Patent provides written description for this trifecta: (1) speedometer comprises a liquid crystal display; (2) colored display is that liquid crystal display comprised by the speedometer; and (3) the speedometer is attached integrally to that colored display, which is the liquid crystal display comprised by the speedometer.

Cuozzo points to original patent claim 18 for describing "wherein the speedometer comprises a liquid crystal display." Motion, at 7:3-8. It does. For each of the other two elements in the trifecta, both requir-

ing the colored display to be "the" liquid crystal display comprised by the speedometer, Cuozzo merely points to the disclosure, which indicates that the colored display "is a liquid crystal display" (claim 12, emphasis added), "may take the form of a colored filter" (Ex. 3006, 3:3-6, emphasis added), and "could also take the form of a liquid crystal display" (Ex. 3006, 6:11-14, emphasis added). Motion (Paper 32) at 7:9-15. The showing is not commensurate in scope with what is claimed, i.e., that the colored display is the liquid crystal display comprised by the speedometer.

Cuozzo does not adequately explain how the evidence relied on describes the "integrally attached" requirement between the speedometer and the colored display where the colored display is the liquid crystal display comprised by the speedometer. In that regard, we note further the analysis contained in the claim construction section of this opinion, which concludes that the original disclosure of the '074 Patent does not describe an embodiment using a single liquid crystal display to show the speed readings of a speedometer as well as the delineations of which speed readings violate the speed limit at the vehicle's present location.

Cuozzo has failed to set forth how proposed substitute claims 21-23 satisfy the written description requirement of 35 U.S.C. § 112, first paragraph.

Substitute claims 21-23 also enlarge the scope of the respective original patent claims which they replace. As is pointed out by Garmin, a proper construction of "a speedometer integrally attached to said colored display" in the context of original patent claims 10, 14, and 17, and as articulated by the Board, does not cover a speedometer and a colored display

that is subsumed completely within the speedometer. Yet, that arrangement would be within the scope of substitute claim 21, as Cuozzo redefines the meaning of "integrally attached." The scope of each of claims 10, 14, and 17 has been enlarged because a structure not covered by those claims would be covered by respective substitute claims 21-23.

F Cuozzo's Motion to Exclude Evidence

Cuozzo seeks to exclude certain testimony of Prof. James Morris. Motion (Paper 48), at 2:5-8. The motion is *dismissed* as moot, because we have not reached the merits of Garmin's argument that relied on the testimony Cuozzo seeks to exclude, i.e., the argument that substitute claim 23 enlarges the scope of original patent claim 17, because claim 23 has been broadened to cover displaying a single speed reading in red once the speed reading exceeds the speed limit.

CONCLUSION

Garmin has met its burden of proof by a preponderance of the evidence in showing that claims 10, 14, and 17 of the '074 Patent are unpatentable under 35 U.S.C. § 103: (1) as obvious over Aumayer, Evans, and Wendt, and (2) as obvious over Tegethoff, Awada, Evans, and Wendt.

In consideration of the foregoing, it is

ORDERED that claims 10, 14, and 17, of the '074 patent are CANCELLED;

FURTHER ORDERED that Cuozzo's Motion to Exclude Evidence is *dismissed*; and

FURTHER ORDERED Cuozzo's Motion to Amend Claims is *denied*.

APPENDIX F

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GARMIN INTERNATIONAL, INC. ET AL.
Petitioner

v.

Patent of CUOZZO SPEED TECHNOLOGIES LLC
Patent Owner

Case IPR2012-00001 (JL)
Patent 6,778,074

Date: January 9, 2013

Before MICHAEL P. TIERNEY, *Lead Administrative Patent Judge*, JAMESON LEE and JOSIAH COCKS, *Administrative Patent Judges.*

LEE, *Administrative Patent Judge.*

DECISION TO INITIATE TRIAL FOR INTER PARTES REVIEW

BACKGROUND

Petitioner Garmin International Inc. et al. requests inter partes review of claims 1-20 of US Patent 6,778,074 ('074 Patent) pursuant to 35 U.S.C. §§ 311 et seq. The Patent Owner, Cuozzo Speed Technologies LLC., has waived its right to file a preliminary response under 37 C.F.R. § 42.107(b). (Paper 10). We have jurisdiction under 35 U.S.C. § 314.

The standard for instituting inter partes review is set forth in 35 U.S.C. § 314(a) which provides:

> THRESHOLD -- The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

Petitioner challenges the patentability of claims 1-20 on the basis of the following items of prior art:

US 6,633,811 (**Aumayer**)	October 14, 2003	Ex. 1001
US 6,515,596 (**Awada**)	February 4, 2003	Ex. 1010
German DE 19755470 A1 (**Tegethoff**)	September 24, 1998	Ex. 1002
English Translation of Tegethoff		Ex. 1003
JP H07-182598 (**Hamamura**)	July 21, 1995	Ex. 1006
English Translation of Hamamura		Ex. 1007
US 5,375,043 (**Tokunaga**)	December 20, 1994	Ex. 1005
US 3,980,041 (**Evans**)	September 14, 1976	Ex. 1009
US 2,711,153 (**Wendt**)	June 21, 1955	Ex. 1011

In this opinion, citations to Tegethoff and Hamamura are made with respect to their respective English translations noted above.

Petitioner expressly asserts these grounds of unpatentability:

1. Claims 1, 2, 6, 7, 8, 9, 10, 11, 12, 13, 18, 19, and 20 are unpatentable under 35 U.S.C. § 102(e) as anticipated by Aumayer.

2. Claims 1, 2, 6, and 7 are unpatentable under 35 U.S.C. § 102(b) as anticipated by Tegethoff.

3. Claim 1 is unpatentable under 35 U.S.C. § 102(b) as anticipated by Tokunaga.

4. Claims 3, 4, 5, 14, 15, and 16 are unpatentable under 35 U.S.C. § 103 as obvious over Aumayer and Evans.

5. Claim 17 is unpatentable under 35 U.S.C. § 103 as obvious over Aumayer, Evans, and Wendt.

6. Claims 3, 4, and 5 are unpatentable under 35 U.S.C. § 103 as obvious over Tegethoff and Evans.

7. Claims 8, 9, 10, 11, 12, 13, 18, 19, and 20 are unpatentable under 35 U.S.C. § 103 as obvious over Tegethoff and Awada.

8. Claims 14, 15, and 16 are unpatentable under 35 U.S.C. § 103 as obvious over Tegethoff, Awada, and Evans.

9. Claim 17 is unpatentable under 35 U.S.C. § 103 as obvious over Tegethoff, Awada, Evans, and Wendt.

10. Claims 10 and 20 are unpatentable under 35 U.S.C. § 103 as obvious over Tokunaga and Hamamura.

DISCUSSION

Our decision hinges on the meaning of "integrally attached" in independent claims 1 and 10.

Claim Construction

Consistent with the statute and the legislative history of the AIA, the Board interprets claim terms by applying the broadest reasonable construction in the context of the specification in which the claims reside. 37 C.F.R. § 42.100(b); *see* Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48766 (Aug. 14, 2012).

Also, we give claim terms their ordinary and accustomed meaning as would be understood by one of ordinary skill in the art. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1326 (Fed. Cir. 2005)(en banc). That ordinary and accustomed meaning applies unless the inventor as a lexicographer has set forth a special meaning for a term. *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1477 (Fed. Cir. 1998); *York Prods., Inc. v. Central Tractor Farm & Family Ctr.*, 99 F.3d 1568, 1572 (Fed. Cir. 1996). When an inventor acts as a lexicographer, the definition must be set forth with reasonable clarity, deliberateness, and precision. *Renishaw PLC v. Marposs Societa per Azioni*, 158 F.3d 1243, 1249 (Fed. Cir. 1998).

If we need not rely on a feature to give meaning to what the inventor means by a claim term, that feature would be "extraneous" and should not be read into the claim. *Renishaw PLC*, 158 F.3d at 1249. The construction that stays true to the claim language and

most naturally aligns with the inventor's description is likely the correct interpretation. *See Id.*, 158 F.3d at 1254.

In some cases, the ordinary meaning of claim language as understood by a person of skill in the art may be readily apparent even to lay judges, and claim construction in such cases involves little more than the application of the widely accepted meaning of commonly understood words. *Phillips v. AWH Corp.*, 415 F.3d at 1314. In this case, Petitioner sets forth no claim construction that is purportedly different between that from the perspective of one with ordinary skill in the art on the one hand and that of lay persons on the other. We have no basis to think differently and to conclude otherwise. So for purposes of this decision we proceed on the basis that the plain and ordinary meaning of words in their common usage applies, albeit taken in the context of the disclosure of the '074 Patent.

The Invention of the '074 Patent

The disclosed invention of the '074 Patent is directed to a speed limit indicator and method for displaying speed and the relevant speed limit for use in connection with vehicles. (Spec. 1:9-11). Specifically, the speed indicator displays the current speed of a vehicle and how it relates to the legal speed limit for the current location in which the vehicle is traveling. (Spec. 1:13-16). It provides the benefit of eliminating the need for the driver to take eyes off the road to look for speed limit signs and to resolve any confusion that might exist as to what is the current legal speed limit. (Spec. 1:22-25).

Figure 1 illustrates the specifically disclosed embodiment:

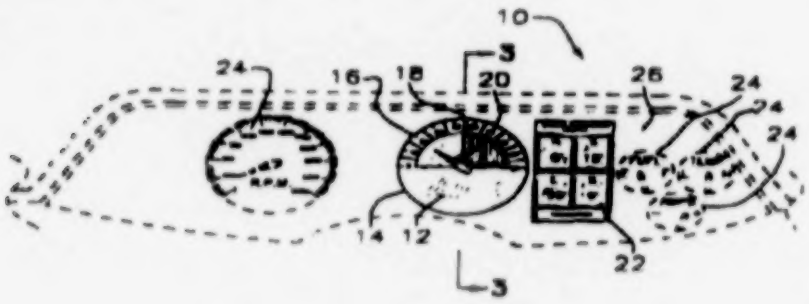


FIG. 1

Figure 1 illustrates a specifically disclosed embodiment

Speedometer 12 is mounted on dashboard 26. (Spec. 5:8-9). Speedometer 12 has a backplate 14 made of plastic, speed denoting markings 16 painted on backplate 14, a colored display 18 made of red plastic filter, and a plastic needle 20 rotatably mounted in the center of backplate 14. (Spec. 8-11). A global positioning receiver 22 is positioned adjacent to speedometer 12 and other gauges typically present on a vehicle dashboard 26 are included. (Spec. 5:13-15).

Referring to a flowchart provided in Figure 2 with numerical references to individual steps and not individual parts, the specification of the '074 Patent describes operation of the speed limit indicator as follows (Spec. 5:25-39):

> Uploading unit 38 uploads current data to a regional speed limit database 40. The global positioning system receiver 42 tracks the vehicle's location and speed, and identifies the relevant speed limit from the database for that location. The global positioning system receiver compares

> the vehicle's speed and the relevant speed limit 44, and uses a tone generator 46 to generate a tone in the event that the vehicle's speed exceeds the relevant speed limit. The speed limit information is sent from the global positioning system receiver to a filter control unit 48. **The control unit adjusts the color filter so that the speeds above the legal speed limit are displayed in red 50 while the legal speeds are displayed in white 52. This is accomplished by the control unit rotating the red filter disc 54 to the appropriate degree.** (Emphasis added.)

Claims 1 and 10 are the only independent claims. Claim 1 is reproduced below:

> 1. A speed limit indicator comprising:
>
> a colored display to delineate which speed readings are in violation of the speed limit at a vehicle's current location;
>
> a speedometer **integrally attached** to said colored display; and
>
> a display controller connected to said colored display, wherein said display controller adjusts said colored display independently of said speedometer to continuously update the delineation of which speed readings are in violation of the speed limit at a vehicle's present location. (Emphasis added.)

Claim 1 requires that the speedometer be "integrally attached" to the colored display. Claim 10 is the same, as it also recites: "a speedometer integrally attached to said colored display."

Claim 20 is reproduced below:

> 20. A method of determining speed, the relevant speed limit, and displaying same, which comprises the steps of:
>
> uploading current information to regional speed limit database;
>
> determining vehicle location and speed;
>
> obtaining speed limit for said vehicle location from said database;
>
> comparing vehicle speed to said speed limit;
>
> generating tone if said vehicle speed exceeds said speed limit;
>
> sending speed limit to display control unit; and
>
> modifying **the limit indicator as defined in claim 1** to reflect which speeds are below said speed limit and which speeds exceed said speed limit. (Emphasis added.)

In its last clause, claim 20 specifically refers to the structure of the speed limit indicator of claim 1. Thus, claim 20 is dependent on claim 1 and also includes the limitation that the speedometer is integrally attached to the colored display. Petitioner has not taken any contrary position in the Petition.

Petitioner does not make known its construction of "integrally attached." Instead, Petitioner states that the term has to mean, in this proceeding, what the Patent Owner asserts it means in the infringement suits the Patent owner has filed against various parties in-

cluding Petitioner. That argument is without merit. The meaning of claim terms is not governed by what the Patent Owner says they mean in filing an infringement suit based on the '074 Patent. There is no reason to assume that the Patent Owner's litigation position is correct. Litigation positions taken subsequent to issuance of the patent are unreliable. *See Phillips v. AWH Corp.*, 415 F.3d at 1318. In any event, the Petition itself does not disclose or discuss the Patent Owner's position and Petitioner even states that the Patent Owner's litigation position in the infringement suits is not necessarily correct. (Petition 18: n.1).

On this record, we construe "integrally attached" as applied to the colored display and the speedometer in the context of the disclosure of the '074 Patent as meaning that the two elements are discrete parts physically joined together as a unit without each part losing its own separate identity. In the combined unit, the colored display is still the colored display and the speedometer is still the speedometer; each retains its own separate identity. The specification of the '074 Patent discloses that colored display 18 is a separate item from backplate 14 and from speed denoting marking 16 on backplate 14. ('074 Patent 5:9-12). Claim 1 even expressly recites that the display controller adjusts the colored display independently of the speedometer. In that connection, we note further that Patent Owner's amendment in the prosecution history of the '074 Patent, dated January 9, 2004, states (Ex. 1013 7:23-25):

> Support for the amendment to specify that the speedometer is integrally attached to the colored display is found in the specification at p.7, lines 28-30, p.8, lines 21-23, and in Fig. 1, 3, and 4.

The above-quoted portions of the specification describe speedometer backplate 14 and speed denoting markings 16 painted on backplate 14 as separate and discrete elements from the colored display 18. Petitioner has not presented a reasonable basis to broaden out the interpretation of "integrally attached" to cover the case of a single electronic display that itself operates both as a speedometer and a colored display. The Patent Owner relied on separate components as providing written description support for the term.

Aumayer

Aumayer discloses a method for displaying vehicle speed. (Abstract:1-2). Also, the speed limit at the current location may be displayed on a speed scale by highlighting a scale mark or producing a scale mark of a different length or color. (Abstract:9-12). The current location of the vehicle is determined by use of a GPS locating device. (Aumayer 4:41-45). The speed limit at the current location of the vehicle is retrieved from a data storage media according to the determined current location. (Abstract:13-15; Aumayer 4:45-53). Aumayer also describes (Aumayer 7:34-37):

> The display device 211 comprises a display controller and a display medium, for example a display screen provided by **a liquid crystal display device, a plasma screen or a cathode ray tube.** (Emphasis added.)

Figure 2d of Aumayer is reproduced below, which illustrates an electronic display according to practicing Aumayer's disclosed method:

FIG. 2d

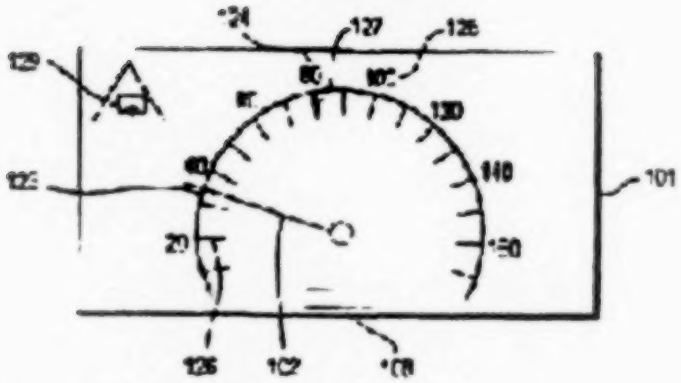


Figure 2d shows a display according to Aumayer's method

With respect to Figure 2d, Aumayer describes that the determined speed limit of 80 km/hr for the vehicle's current location is shown by the speed scale value 124 and speed scale mark 127 at the speed limit, both of which are highlighted or emphasized such as by use of color different from that used for the remainder of the display device, by enlargement, and/or by widening, on the electronic display. (Aumayer 6:21-27). Aumayer expressly states that the speed limit is highlighted or emphasized by the scale mark 127. (Aumayer 6:33-35).

Aumayer further states that "it is also possible to use a commercial combined apparatus with mechanical display elements for the display device 211." (Aumayer 7:42-44). Specific details of that mechanical embodiment are not described. However, Aumayer states that for example, "a speed limit can be made visible by background lighting in a different color at the scale mark associated with the corresponding speed limit." (Aumayer 7:48-51).

Tegethoff

Tegethoff discloses an image display system for use on a vehicle, which includes an image screen and an image generating computer. (Tegethoff 4:2:16-18). The image displayed on the screen mimics that of analog mechanical pointer instruments, and in their outer image form cannot be distinguished from purely mechanical devices. (Tegethoff 4:2:34-40). Figure 2 of Tegethoff is reproduced below, which illustrates an image of a speedometer and other useful information (Tegethoff 5:2:30-32):

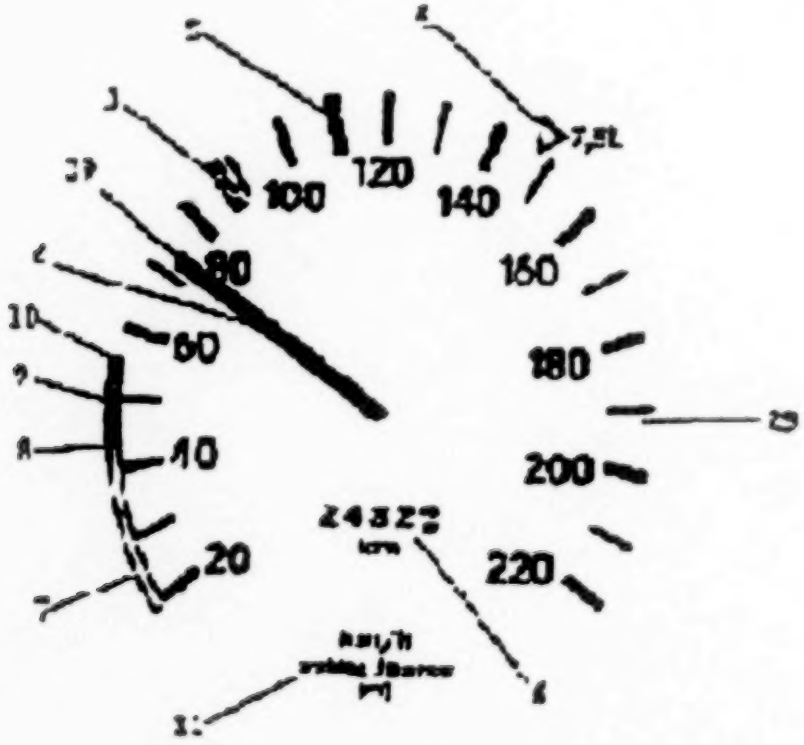


Figure 2 shows an embodiment of Tegethoff's image display

On the image shown above is displayed a mark 5 for indicating a currently permissible maximum speed for the road section where the vehicle is currently located. (Tegethoff 6:1:9-12). According to Tegethoff, that speed limit can be set according to an element for navigation and a database. (Tegethoff 6:1:13-15). Tegethoff describes that the critical markings such as that showing the speed limit can be colored red. (Tegethoff 7:1:38-45).

Tokunaga

Tokunaga discloses a lighting unit capable of varying the luminescence and color of illumination with respect to a target to be lit thereby to provide an effective display of the target, and capable of itself serving as a display unit. (Abstract 1-5). Tokunaga discloses two embodiments of the lighting unit, one shown in Figure 1 and one shown in Figure 3:

FIG. 1

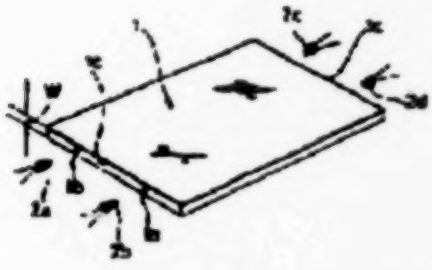
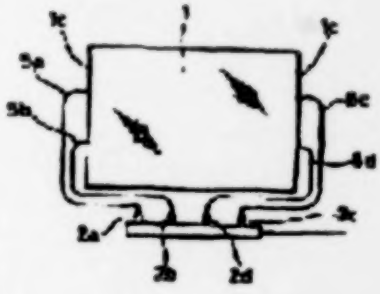


FIG. 3



Figures 1 and 3 illustrate separate embodiments of a lighting unit

In both embodiments, there is a light guide plate 1. In the Figure 1 embodiment, LEDs 2a-2d are directly fitted to the side edges of the light guide plate, and in the Figure 3 embodiment, LEDs 2a-2d are indirectly provided to the side edges of the light guide plate 1

through optical transmission media such as optical fibers 5a-5d. (Tokunaga 2:12-22). The light guide plate 1 is suitable for use as a backlight for a liquid crystal display panel on a portable electronic device. (Tokunaga 2:37-41). Figure 2 shows the light guide plate 1 disposed next to a liquid crystal display panel:

FIG. 2

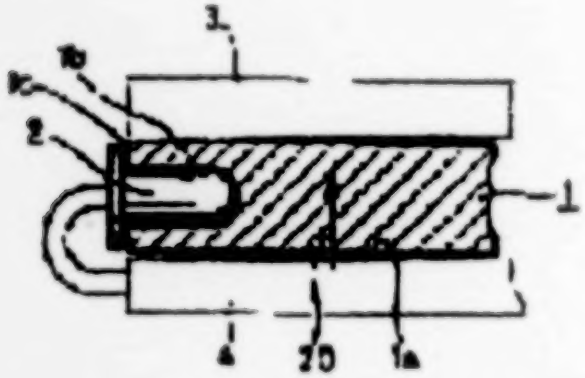


Figure 2 illustrates a partial sectional view of light guide plate 1

Tokunaga describes that a liquid crystal display panel 3 is disposed on top of the light guide plate 1 so as to permit the content of the liquid crystal display to be irradiated with light sent from the light guide plate 1, and that under the light guide plate 1 there is an electronic circuit board 4 for operating the liquid crystal display panel. (Tokunaga 2:66 to 3:5). Tokunaga describes that the lighting unit can be used to illuminate the liquid crystal display panel of a portable electronic game machine such as GAME BOY®. (Tokunaga 3:54-59). Tokunaga also describes that the liquid crystal display panel of the game machine is operated according to image signals from an operation circuit and the light guide plate 1 is incorporated

into the game machine to illuminate the liquid crystal display. (Tokunaga 3:63-68).

Tokunaga does not, however, describe specifically how the light guide plate 1 is put in position relative to liquid crystal display panel 3 or electronic circuit board 4. It is known only that the light guide plate 1 is incorporated into the overall game machine, that the liquid crystal display is disposed on one side, and that the electronic circuit board is disposed on the opposing side as shown in Figure 2.

Tokunaga further states that although the description of the lighting unit provided in the disclosure is made by way of example in the context of a game machine, it would be obvious to those of ordinary skill in the art that the lighting unit has other applications such as illuminating the display surfaces of a vehicle speedometer. (Tokunaga 4:62-67). However, the statement of potential application elsewhere is only general and Tokunaga does not describe any specific structural implementation of the application of the lighting unit to a vehicle speedometer. Tokunaga does state that in the case of application to a vehicle speedometer, the color of the display light for the speedometer can be changed from blue to red if the vehicle speed exceeds a legal speed limit. (Tokunaga 5:1-5). But it does not describe that the "legal speed limit" it refers to is one associated specifically to the current location of the vehicle.

A. The alleged grounds based in whole or in part on Aumayer

Each of independent claims 1 and 10 requires that the speedometer be "integrally attached" to the colored display. According to the petitioner, a single liq-

uid crystal display screen such as that of Aumayer's display device 211, which displays the image of both the speedometer and the colored scale mark 107 showing the speed limit, satisfies the claim requirement of an integral attachment between a speedometer and a colored display. (Petition 18:1-4).

For reasons already discussed above, on this record we construe "integrally attached" differently from the Petitioner. The single electronic display screen of Aumayer showing both the image of a speedometer and a colored scale mark indicating the current speed limit does not meet the claim recitation "integrally attached" as applied to a speedometer and a colored display. There, the speedometer and the colored display are not discrete and separately recognizable parts that are "integrally attached" to each other. Rather, the liquid crystal display screen is itself a single component which performs the function of both the speedometer and colored display.

We recognized already that Aumayer states that "it is also possible to use a commercial combined apparatus with mechanical display elements for the display device 211." (Aumayer 7:42-44). We also already recognized that Aumayer states that "a speed limit can be made visible by background lighting in a different color at the scale mark associated with the corresponding speed limit." (Aumayer 7:48-51). None of that disclosure indicates that a colored display is necessarily integrally attached to the speedometer. No specific embodiment of a combined apparatus with mechanical display elements is described in sufficient detail. Even Petitioner has not explained how such general disclosure meets the requirement of "integrally attached" between the speedometer and the colored display.

A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently, in a single prior art reference *Verdegaal Bros., Inc. v. Union Oil Co. of Cal.*, 814 F.2d 628, 631 (Fed. Cir. 1987).

Claims 2, 6-13, and 18-20 each depend directly or indirectly from either claim 1 or claim 10. Because Aumayer fails to disclose the "integrally attached" element of claims 1 and 10 as applied to the speedometer and the colored display, there is not a reasonable likelihood that the Petitioner would prevail on its assertion that claims 1, 2, 6-13, and 18-20 are anticipated by Aumayer under 35 U.S.C. § 102(e).

The above-noted deficiency of Aumayer with respect to independent claim 1 undermines Petitioner's assertion of obviousness of claims 4 and 5 over Aumayer and Evans under 35 U.S.C. § 103. Claim 4 depends on claim 1 and claim 5 depends on claim 4. Claims 4 and 5 recite the specific mechanical structure of a speedometer, such as a needle, an axle, and a cable (claim 4), and a backplate and a housing (claim 5). As applied by Petitioner to claims 4 and 5, Evans discloses all of those elements but does not cure the above-noted deficiency of Aumayer discussed in the context of independent claim 1 with regard to a colored display being "integrally attached" to the speedometer. There is not a reasonable likelihood that the petitioner would prevail on its assertion that claims 4 and 5 would have been obvious over Aumayer and Evans under 35 U.S.C. § 103.

Petitioner also asserts that claims 3 and 14-16 would have been obvious over Aumayer and Evans, and that claim 17 would have been obvious over Aumayer, Evans, and Wendt, under 35 U.S.C. § 103.

As applied by Petitioner to claims 3 and 14-16, Evans does seemingly disclose what Aumayer does not disclose, *i.e.*, a colored display which is "integrally attached" to the speedometer. However, the above-noted deficiency of Aumayer is not cured by Petitioner's reliance on Evans because Petitioner has not articulated a credible rationale for combining the teachings of Aumayer and Evans to arrive at the claimed invention.

Aumayer discloses an embodiment including each of the recited elements of independent claims 1 and 10 of the '074 Patent, except for the requirement that the speedometer and the colored display are "integrally attached." Claim 3 depends on claim 1 and recites that the colored display is a colored filter. Claim 14 depends on claim 10 and also recites that the colored display is a colored filter. Claim 15 depends on claim 14 and claim 16 depends on claim 15.

Evans discloses a combined vehicle speedometer and speed warning indicator. (Evans 1:68 to 2:23). The speed warning indicator is installed on the speedometer cover. (Evans 2:16-17). It comprises a transparent plate attached to the transparent front cover of the speedometer. (Evans 2:1-3). Evans describes the speed warning indicator as follows (Evans 2:3-8):

> The plate bears warning indicia, for example, a **special color** and/or a plurality of marks, spaces, ridges, etc. so that when the speedometer dial is viewed through it, a portion of the dial representing speeds in excess of a predetermined limit are demarked by the warning indicia. (Emphasis added.)

Evans describes that a driver can tell what speeds are under or in excess of the speed limit by making a swift reference to the speedometer through the indicator and see whether the speedometer needle is in or out of the warning area on the indicator plate. (Evans 2:9-13). Evans further describes that the indicator plate can be made adjustable for changes in the speed limit. (Evans 2:18-19). As shown in Figure 3, the red colored plate 12 is positioned on speed dial 30 so that only the portion of the dial which contains numbers representing speeds in excess of the speed limit is overlaid by the plate:

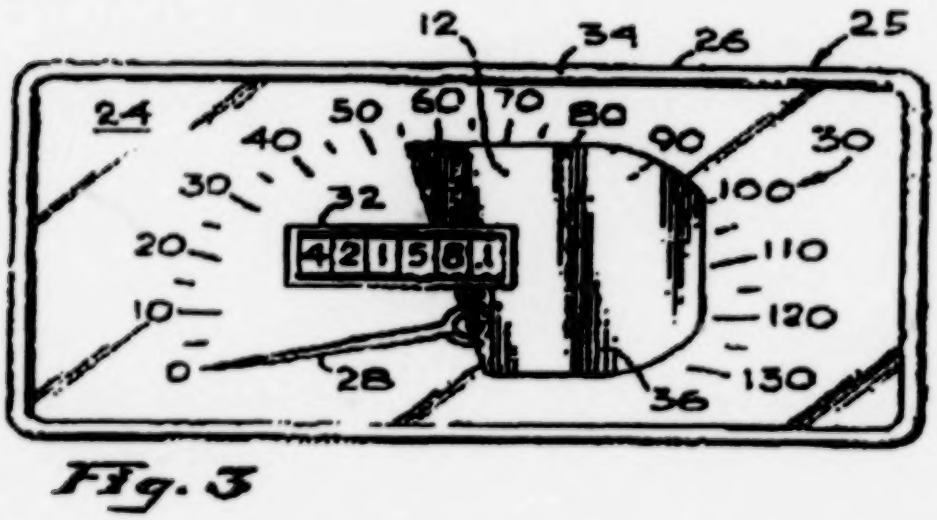


Fig. 3

Figure 3 illustrates a front elevation view of the combined speedometer and speed warning indicator

The colored filter plate 12 of Evans is a fixed structure integrally attached to the speedometer. However, although the plate may be removed and replaced, in its operational state it is a fixed, non-moveable, and non-adjustable structure. In that connection, Evans states (Evans 3:37-44):

> It will be understood that plate 12 can, if desired, be removed from cover 24 and either another sim-

> ilar plate of different configuration can be substituted or plate 12 can be recut and repositioned or merely repositioned on cover 24 so as to extend over another range of speed numbers on dial 30. For example this would be desirable in the event that the 55 mph current speed limit were abolished.

With regard to claims 3 and 14-16, Petitioner has not explained why one with ordinary skill in the art would have chosen to use the fixed and immovable colored plate 12 of Evans in combination with the dynamic display system of Aumayer which provides the benefits of a continuously controlled and updated colored display to indicate the applicable speed limit for the vehicle at its current location.

Accordingly, there is not a reasonable likelihood that the petitioner would prevail on its assertion that claims 3 and 14-16 would have been obvious over Aumayer and Evans under 35 U.S.C. § 103.

Claim 17 depends on claim 14, and states that the display controller rotates the colored filter independently of the speedometer to continuously update the delineation of which speed readings are in violation of the speed limit at a vehicle's present location. For claim 17, Petitioner relies on Wendt in combination with Aumayer and Evans. Wendt and Evans in combination seemingly cures the above-noted deficiency of Aumayer with regard to independent claim 10 and of Aumayer and Evans with regard to claim 14. That is because Wendt teaches the desirability of a rotatably moveable structure to indicate the speed limit.

The combined teachings of Aumayer, Evans, and Wendt appears to account for all the features of claim 17. Accordingly, there is a reasonable likelihood that the petitioner would prevail on its assertion that 17 would have been obvious over Aumayer, Evans, and Wendt under 35 U.S.C. § 103.

Because claim 17 depends on claim 14 which depends on claim 10, and because dependent claims include all of the features of the claims on which they depend, Petitioner also has shown a reasonable likelihood that it would prevail on demonstrating that claims 10 and 14 would have been obvious over the combined teachings of Aumayer, Evans, and Wendt. We recognize that Petitioner did not specifically articulate a ground of unpatentability against claims 10 and 14 based on Aumayer, Evans, and Wendt. However, we exercise discretion to recognize that the assertion was implicitly made by Petitioner's alleging that claim 17 would have been obvious over Aumayer, Evans, and Wendt.

For claims 1-9, 11-13, 15, 16, and 18-20, we have not considered the ground of obviousness under 35 U.S.C. § 103, based on the combined teachings of Aumayer, Evans, and Wendt, and take no position in that regard. In this petition, that ground of obviousness has not been asserted by Petitioner against those claims, either expressly or by implication.

B. The alleged grounds based in whole or in part on Tegethoff

Each of independent claims 1 and 10 requires that the speedometer be "integrally attached" to the colored display. Tegethoff shares the same deficiency in that regard with Aumayer as discussed above. Ac-

cording to the Petitioner, a single digital electronic display screen 37 that displays the image of both the speedometer and the colored tick mark 5 showing the speed limit satisfies the claim requirement of an integral attachment between a speedometer and a colored display. (Petition 22:1-4).

For reasons already discussed above, on this record we construe "integrally attached" differently from the Petitioner. The single digital electronic display screen 37 of Tegethoff displaying both the image of a speedometer and a colored tick mark 5 indicating the current speed limit does not meet the claim recitation "integrally attached" as applied to a speedometer and a colored display. There, the speedometer and the colored display are not discrete and separately recognizable parts that are "integrally attached" to each other. Rather, the screen performs the function of both the speedometer and colored display.

Claims 2, 6, and 7 each depend directly from claim 1. Because Tegethoff fails to disclose the "integrally attached" element of claim 1 as applied to the speedometer and the colored display, there is not a reasonable likelihood that the Petitioner would prevail on its assertion that claims 1, 2, 6, and 7 are anticipated by Tegethoff under 35 U.S.C. § 102(b).

The above-noted deficiency of Tegethoff with respect to independent claim 1 undermines Petitioner's assertion of obviousness of claims 4 and 5 over Tegethoff and Evans under 35 U.S.C. § 103. Claim 4 depends on claim 1 and claim 5 depends on claim 4. Claims 4 and 5 recite the specific mechanical structure of a speedometer, such as a needle, an axle, and a cable (claim 4), and a backplate and a housing (claim 5). As applied by Petitioner to claims 4 and 5, Evans

discloses all of those elements but does not cure the above-noted deficiency of Tegethoff discussed in the context of independent claim 1 with regard to a colored display being "integrally attached" to the speedometer. There is not a reasonable likelihood that Petitioner would prevail on its assertion that claims 4 and 5 would have been obvious over Tegethoff and Evans under 35 U.S.C. § 103.

Petitioner also asserts that claim 3 would have been obvious over Tegethoff and Evans under 35 U.S.C. § 103. As applied by Petitioner to claim 3, Evans does disclose what Aumayer does not disclose, *i.e.*, a colored display which is "integrally attached" to the speedometer. However, the above-noted deficiency of Tegethoff is not cured by reliance on Evans because Petitioner has not articulated a credible rationale for combining the teachings of Tegethoff and Evans to arrive at the claimed invention. The deficiency is the same as that discussed above on the lack of sufficient basis to combine the teachings of Evans and Aumayer. We note again that the color filter of Evans is fixed and immoveable. Tegethoff requires a colored display that is variable in position to reflect the current speed limit at the current location of the vehicle. Accordingly, there is not a reasonable likelihood that the Petitioner would prevail on its assertion that claim 3 would have been obvious over Tegethoff and Evans under 35 U.S.C. § 103.

As is the case with claim 1, with respect to claim 10 Tegethoff does not disclose the limitation of a speedometer integrally attached to a colored display. Petitioner's reliance on Awada in combination with Tegethoff does not cure that deficiency. Awada is relied on by the Petitioner in connection with claim 10 as teaching the use of a global positioning system con-

nected to a display controller for providing signals for continuously updating the delineation of which speed readings are in violation of the speed limit at the vehicle's current location.

Claims 8, 9, and 20 each depend directly or indirectly on claim 1. Claims 11-13, 18, and 19 each depend directly or indirectly on claim 10. Petitioner relies on Awada in combination with Tegethoff as teaching the specific features added by these dependent claims. However, as applied by the Petitioner, Awada does not cure the deficiency of Tegethoff with respect to the limitation in independent claims 1 and 10 that the speedometer is integrally attached to the colored display. Thus, there is not a reasonable likelihood that the Petitioner would prevail on its assertion that claims 8-13, and 18-20 would have been obvious over Tegethoff and Awada under 35 U.S.C. § 103.

Claim 14 depends on claim 10 and recites that the colored display is a colored filter. Claim 15 depends on claim 14 and claim 16 depends on claim 15.

For claims 14-16, Petitioner relies on Evans as teaching the use of a colored filter that is attached to a speedometer. However, as is the case with Petitioner's attempted combination of Aumayer and Evans, already discussed above, Petitioner has not articulated a credible rationale to make the purported combination of Tegethoff and Evans. The colored filter of Evans is fixed and immoveable during operation. Tegethoff, on the other hand, requires a colored display that can be variably adjusted while the vehicle is in motion, to match the applicable speed limit for the current location of the vehicle. Accordingly, there is not a reasonable likelihood that the Petitioner would prevail on its assertion that claims 14-16 would have

been obvious over Tegethoff, Awada, and Evans under 35 U.S.C. § 103.

Claim 17 depends on claim 14 and adds that the display controller rotates the colored filter independently of the speedometer to continuously update the delineation of which speed readings are in violation of the speed limit at the vehicle's present location. For claim 17, Petitioner relies on Wendt in combination with Tegethoff, Awada, and Evans. Wendt and Evans together in combination with Tegethoff and Awada seemingly cures the above-noted deficiency of Tegethoff and Awada with regard to independent claim 10, and of Tegethoff, Awada, and Evans with respect to claim 14. That is because Wendt teaches the desirability of a rotatably moveable structure to indicate the speed limit.

The combined teachings of Tegethoff, Awada, Evans, and Wendt appears to account for all of the features of claim 17. Accordingly, there is a reasonable likelihood that Petitioner would prevail on its assertion that claim 17 would have been obvious over Tegethoff, Awada, Evans, and Wendt under 35 U.S.C. § 103.

Because claim 17 depends on claim 14 which depends on claim 10, and because dependent claims include all of the features of the claims on which they depend, Petitioner also has shown a reasonable likelihood that it would prevail on demonstrating that claims 10 and 14 would have been obvious over the combined teachings of Tegethoff, Awada, Evans, and Wendt. We recognize that Petitioner did not specifically articulate a ground of unpatentability against claims 10 and 14 based on Tegethoff, Awada, Evans, and Wendt. However, we exercise discretion to rec-

ognize that the assertion was implicitly made by Petitioner's alleging that claim 17 would have been obvious over Tegethoff, Awada, Evans, and Wendt.

For claims 1-9, 11-13, 15, 16, and 18-20, we have not considered the ground of obviousness under 35 U.S.C. § 103, based on the combined teachings of Tegethoff, Awada, Evans, and Wendt, and take no position in that regard. In this petition, that ground of obviousness has not been asserted by Petitioner against those claims, either expressly or by implication.

C. The alleged grounds based in whole or in part on Tokunaga

According to Petitioner, Tokunaga discloses each and every element of independent claim 1. There are two problems with that assertion.

The first still relates to that same limitation which undermines the anticipation assertion based on Aumayer and on Tegethoff, *i.e.*, that the speedometer is "integrally connected" to the colored display. Petitioner points out that Tokunaga discloses that its lighting unit is incorporated into the game machine so as to illuminate the liquid crystal display, and that in lieu of the gaming device the lighting unit has other applications, for example, for providing illumination to the surface of a vehicle speedometer. (Petition 23:16-21). On that basis alone, Petitioner concludes that the "integrally connected" limitation is met. We disagree.

Tokunaga provides no specific description of how the lighting unit would be attached to the display surface of a vehicle speedometer or if it is even attached. And even in the context of a game machine, Tokunaga

describes that liquid crystal display panel 3 is disposed on top of the light guide plate 1 to permit the content of the liquid crystal display to be irradiated with light sent from the light guide plate 1, and that under the light guide plate 1 there is an electronic circuit board 4 for operating the liquid crystal display panel. (Tokunaga 2:66 to 3:5). That is not a specific description of how the light guide plate 1 is put in position relative to liquid crystal display panel 3. It is known only that light guide plate 1 is incorporated into the overall game machine, that the liquid crystal display 3 is disposed on one side of the light guide plate 1 and the electronic circuit board is disposed on the opposing side as shown in Figure 2.

Secondly, claim 1 requires a colored display to delineate which speed readings are in violation of "the speed limit at a vehicle's current location." Tokunaga does state that in the case of application to a vehicle speedometer, the color of the display light for the speedometer can be changed from blue to red if the vehicle speed exceeds a legal speed limit. (Tokunaga 5:1-5). But it does not describe that the legal speed limit it refers to is associated specifically with the current location of the vehicle. Petitioner has pointed to no description that the referenced speed limit is location-based.

Accordingly, there is a not reasonable likelihood that Petitioner would prevail on its assertion that claim 1 is anticipated by Tokunaga under 35 U.S.C. § 102(b).

As compared to claim 1, independent claim 10 adds the requirement of a global positioning system receiver which outputs signals to the display controller which adjusts the display to continuously update the

delineation of which speed readings are in violation of the speed limit at the vehicle's current position. For that limitation, Petitioner relies on the teachings of Hamamura, in combination with that of Tokunaga. However, reliance on Hamamura does not cure the above-noted deficiency of Tokunaga with regard to the "integrally attached" requirement for the speedometer and the colored display.

Because it depends on claim 1, claim 20 also includes the requirement that the speedometer is "integrally connected" to the colored display. As noted above, however, with respect to that limitation, Petitioner's reliance on Hamamura does not cure the deficiency of Tokunaga.

In any event, Petitioner's reliance on Hamamura to account for the limitation of continuous updating the delineation of which speed readings are in violation of the speed limit at the vehicle's current location is misplaced because Petitioner's analysis of Hamamura equates "safe speed" at a location with the speed limit at that location. In the context of Hamamura, that is clearly not the case. Hamamura discloses determining a safe speed for a vehicle location based on the speed limit for that location, road shape "and the like" of each road. (Hamamura 3:[0008]). Hamamura discloses displaying the "safe speed" at the vehicle's current location (Hamamura 1:[Constitution]:3-4) and states that the legal speed limit of a road on which the vehicle is currently running may not agree with a speed at which the vehicle can actually run safely. (Hamamura 3:[0004]:12-14).

There is a not reasonable likelihood that Petitioner would prevail on its assertion that claims 10 and 20

would have been obvious over Tokunaga and Hamamura under 35 U.S.C. § 103.

CONCLUSION

Petitioner has demonstrated a reasonable likelihood of prevailing on its challenge of claims 10, 14, and 17 of the '074 Patent as obvious under 35 U.S.C. § 103 (1) over Aumayer, Evans, and Wendt, and (2) over Tegethoff, Awada, Evans, and Wendt.

Petitioner has not demonstrated a reasonable likelihood of prevailing on its challenge of any other claim on any ground.

Order

It is

ORDERED that the Petition is *denied* as to claims 1, 2, 6, 7, 8, 9, 10, 11, 12, 13, and 18-20 of the '074 patent on the alleged ground of anticipation by Aumayer under 35 U.S.C. § 102(e);

FURTHER ORDERED that the Petition is *denied* as to claims 1, 2, 6, and 7 of the '074 patent on the alleged ground of anticipation by Tegethoff under 35 U.S.C. § 102(b);

FURTHER ORDERED that the Petition is *denied* as to claim 1 of the '074 patent on the alleged ground of anticipation by Tokunaga under 35 U.S.C. § 102(b);

FURTHER ORDERED that the Petition is *denied* as to claims 3-5 and 14-16 of the '074 patent on the alleged ground of obviousness over Aumayer and Evans under 35 U.S.C. § 103;

FURTHER ORDERED that the Petition is *granted* as to claims 10, 14, and 17 of the '074 patent on the alleged ground of obviousness over Aumayer, Evans, and Wendt under 35 U.S.C. § 103;

FURTHER ORDERED that the Petition is *denied* as to claims 3-5 on the alleged ground of obviousness over Tegethoff and Evans under 35 U.S.C. § 103;

FURTHER ORDERED that the Petition is *denied* as to claims 8-13 and 18-20 on the alleged ground of obviousness over Tegethoff and Awada under 35 U.S.C. § 103;

FURTHER ORDERED that the Petition is *denied* as to claims 14, 15, and 16 on the alleged ground of obviousness over Tegethoff, Awada, and Evans under 35 U.S.C. § 103;

FURTHER ORDERED that the Petition is *granted* as to claims 10, 14, and 17 on the alleged basis of obviousness over Tegethoff, Awada, Evans, and Wendt under 35 U.S.C. § 103;

FURTHER ORDERED that the Petition is *denied* as to claims 10 and 20 on the alleged ground of obviousness over Tokunaga and Hamamura under 35 U.S.C. § 103;

FURTHER ORDERED that pursuant to 35 U.S.C. § 314(a), a trial for inter partes review of the '074 patent is hereby instituted, commencing on the entry date of this Order, and pursuant to 35 U.S.C. § 314(c) and 37 C.F.R. § 42.4, notice is hereby given of the institution of trial;

FURTHER ORDERED that the trial is limited to the two above-stated grounds of obviousness directed

to claims 10, 14, and 17, and that no other ground for any claim is authorized for trial; and

FURTHER ORDERED that an initial conference call with the Board is scheduled for **1 PM EST on January 23, 2013**; the parties are directed to the Office Trial Practice Guide, 77 Fed. Reg. 48756, 48765-66 (Aug. 14, 2012) for guidance in preparing for the initial conference call, and should come prepared to discuss any proposed changes to the Scheduling Order entered herewith and any motions the parties anticipate filing during the trial.

APPENDIX G

RELEVANT STATUTORY AND REGULATORY PROVISIONS

* * * * *

1. 35 U.S.C. 6 provides:

§ 6. Patent Trial and Appeal Board

(a) IN GENERAL.—There shall be in the Office a Patent Trial and Appeal Board. The Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary, in consultation with the Director. Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.

(b) DUTIES.—The Patent Trial and Appeal Board shall—

(1) on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a);

(2) review appeals of reexaminations pursuant to section 134(b);

(3) conduct derivation proceedings pursuant to section 135; and

(4) conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32.

(c) 3-MEMBER PANELS.—Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.

(d) TREATMENT OF PRIOR APPOINTMENTS.—The Secretary of Commerce may, in the Secretary's discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge. It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.

* * * * *

2. 35 U.S.C. 134 provides:

§ 134. Appeal to the Patent Trial and Appeal Board

(a) PATENT APPLICANT.—An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Patent Trial and Appeal Board, having once paid the fee for such appeal.

(b) PATENT OWNER.—A patent owner in a reexamination may appeal from the final rejection of

any claim by the primary examiner to the Patent Trial and Appeal Board, having once paid the fee for such appeal.

* * * * *

3. 35 U.S.C. 141 provides:

§ 141. Appeal to Court of Appeals for the Federal Circuit

(a) EXAMINATIONS.—An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board's decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his or her right to proceed under section 145.

(b) REEXAMINATIONS.—A patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board under section 134(b) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(c) POST-GRANT AND INTER PARTES REVIEWS.—A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(d) DERIVATION PROCEEDINGS.—A party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board in the proceeding may appeal the decision to the United

States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with section 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146. If the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under section 146, the Board's decision shall govern the further proceedings in the case.

* * * * *

4. 35 U.S.C. 257 provides:

§ 257. Supplemental examinations to consider, reconsider, or correct information

(a) REQUEST FOR SUPPLEMENTAL EXAMINATION.—A patent owner may request supplemental examination of a patent in the Office to consider, reconsider, or correct information believed to be relevant to the patent, in accordance with such requirements as the Director may establish. Within 3 months after the date a request for supplemental examination meeting the requirements of this section is received, the Director shall conduct the supplemental examination and shall conclude such examination by issuing a certificate indicating whether the information presented in the request raises a substantial new question of patentability.

(b) REEXAMINATION ORDERED.—If the certificate issued under subsection (a) indicates that a substantial new question of patentability is raised by 1 or more items of information in the request, the Director

shall order reexamination of the patent. The reexamination shall be conducted according to procedures established by chapter 30, except that the patent owner shall not have the right to file a statement pursuant to section 304. During the reexamination, the Director shall address each substantial new question of patentability identified during the supplemental examination, notwithstanding the limitations in chapter 30 relating to patents and printed publication or any other provision of such chapter.

(c) EFFECT.—

(1) IN GENERAL.—A patent shall not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent. The making of a request under subsection (a), or the absence thereof, shall not be relevant to enforceability of the patent under section 282.

(2) EXCEPTIONS.—

(A) PRIOR ALLEGATIONS.—
Paragraph (1) shall not apply to an allegation pled with particularity in a civil action, or set forth with particularity in a notice received by the patent owner under section 505(j)(2)(B)(iv)(II) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(j)(2)(B)(iv)(II)), before the date of a supplemental examination request under subsection (a) to consider, reconsider, or

correct information forming the basis for the allegation.

(B) PATENT ENFORCEMENT ACTIONS.—In an action brought under section 337(a) of the Tariff Act of 1930 (19 U.S.C. 1337(a)), or section 281, paragraph (1) shall not apply to any defense raised in the action that is based upon information that was considered, reconsidered, or corrected pursuant to a supplemental examination request under subsection (a), unless the supplemental examination, and any reexamination ordered pursuant to the request, are concluded before the date on which the action is brought.

(d) FEES AND REGULATIONS.—

(1) FEES.—The Director shall, by regulation, establish fees for the submission of a request for supplemental examination of a patent, and to consider each item of information submitted in the request. If reexamination is ordered under subsection (b), fees established and applicable to ex parte reexamination proceedings under chapter 30 shall be paid, in addition to fees applicable to supplemental examination.

(2) REGULATIONS.—The Director shall issue regulations governing the form, content, and other requirements of requests for supplemental examination, and establishing procedures for reviewing information submitted in such requests.

(e) FRAUD.—If the Director becomes aware, during the course of a supplemental examination or

reexamination proceeding ordered under this section, that a material fraud on the Office may have been committed in connection with the patent that is the subject of the supplemental examination, then in addition to any other actions the Director is authorized to take, including the cancellation of any claims found to be invalid under section 307 as a result of a reexamination ordered under this section, the Director shall also refer the matter to the Attorney General for such further action as the Attorney General may deem appropriate. Any such referral shall be treated as confidential, shall not be included in the file of the patent, and shall not be disclosed to the public unless the United States charges a person with a criminal offense in connection with such referral.

(f) RULE OF CONSTRUCTION.—Nothing in this section shall be construed—

(1) to preclude the imposition of sanctions based upon criminal or antitrust laws (including section 1001(a) of title 18, the first section of the Clayton Act, and section 5 of the Federal Trade Commission Act to the extent that section relates to unfair methods of competition);

(2) to limit the authority of the Director to investigate issues of possible misconduct and impose sanctions for misconduct in connection with matters or proceedings before the Office; or

(3) to limit the authority of the Director to issue regulations under chapter 3 relating to sanctions for misconduct by representatives practicing before the Office.

* * * * *

5. 35 U.S.C. 311 provides:

§ 311. Inter partes review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) SCOPE.—A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) FILING DEADLINE.—A petition for inter partes review shall be filed after the later of either—

(1) the date that is 9 months after the grant of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

* * * * *

6. 35 U.S.C. 312 provides:

§ 312. Petitions

(a) REQUIREMENTS OF PETITION.—A petition filed under section 311 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 311;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including—

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) PUBLIC AVAILABILITY.—As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

* * * * *

7. 35 U.S.C. 313 provides:

§ 313. Preliminary response to petition

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

* * * * *

8. 35 U.S.C. 314 provides:

§ 314. Institution of inter partes review

(a) THRESHOLD.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) TIMING.—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) NO APPEAL.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

* * * * *

9. 35 U.S.C. 315 provides:

§ 315. Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION.—

(1) INTER PARTES REVIEW BARRED BY CIVIL ACTION.—An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) JOINDER.—If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) MULTIPLE PROCEEDINGS.—
Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes re-

view, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) ESTOPPEL.—

(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

* * * * *

10. 35 U.S.C. 316 provides:

§ 316. Conduct of inter partes review

(a) REGULATIONS.—The Director shall prescribe regulations—

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause

shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) AMENDMENT OF THE PATENT.—

(1) IN GENERAL.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) SCOPE OF CLAIMS.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) EVIDENTIARY STANDARDS.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

* * * * *

11. 35 U.S.C. 317 provides:

§ 317. Settlement

(a) IN GENERAL.—An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

* * * * *

12. 35 U.S.C. 318 provides:

§ 318. Decision of the Board

(a) FINAL WRITTEN DECISION.—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and

incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) INTERVENING RIGHTS.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) DATA ON LENGTH OF REVIEW.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

* * * * *

13. 35 U.S.C. 319 provides:

§ 319. Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.

* * * * *

14. 35 U.S.C. 321 provides:

§ 321. Post-grant review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the post-grant review.

(b) SCOPE.—A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).

(c) FILING DEADLINE.—A petition for a post-grant review may only be filed not later than the date that is 9 months after the date of the grant of the patent or of the issuance of a reissue patent (as the case may be).

* * * * *

15. 35 U.S.C. 324 provides:

§ 324. Institution of post-grant review

(a) THRESHOLD.—The Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.

(b) ADDITIONAL GROUNDS.—The determination required under subsection (a) may also be satisfied by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.

(c) TIMING.—The Director shall determine whether to institute a post-grant review under this chapter pursuant to a petition filed under section 321 within 3 months after—

(1) receiving a preliminary response to the petition under section 323; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(d) NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a) or (b), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(e) NO APPEAL.—The determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable.

* * * * *

16. 37 C.F.R. 42.100 provides:

§ 42.100 Procedure; pendency.

(a) An *inter partes* review is a trial subject to the procedures set forth in subpart A of this part.

(b) A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

(c) An *inter partes* review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge, or adjusted by the Board in the case of joinder.

* * * * *

17. 37 C.F.R. 42.107 provides:

§ 42.107 Preliminary response to petition.

(a) The patent owner may file a preliminary response to the petition. The response is limited to setting forth the reasons why no *inter partes* review should be instituted under 35 U.S.C. 314. The response can include evidence except as provided in paragraph (c) of this section. The preliminary response is subject to the page limits under § 42.24.

(b) *Due date.* The preliminary response must be filed no later than three months after the date of a notice indicating that the request to institute an *inter partes* review has been granted a filing date. A patent owner may expedite the proceeding by filing an election to waive the patent owner preliminary response.

(c) *No new testimonial evidence.* The preliminary response shall not present new testimony evidence beyond that already of record, except as authorized by the Board.

(d) *No amendment.* The preliminary response shall not include any amendment.

(e) *Disclaim Patent Claims.* The patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a) of this chapter, disclaiming one or more claims in the patent. No *inter partes* review will be instituted based on disclaimed claims.

* * * * *

18. 37 C.F.R. 42.108 provides:

§ 42.108 Institution of *inter partes* review.

(a) When instituting *inter partes* review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

(b) At any time prior to institution of *inter partes* review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims. Denial of a ground is a Board decision not to institute *inter partes* review on that ground.

(c) Sufficient grounds. *Inter partes* review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed.

* * * * *

19. 37 C.F.R. 42.120 provides:

§ 42.120 Patent owner response.

(a) *Scope.* A patent owner may file a response to the petition addressing any ground for unpatentability not already denied. A patent owner response is filed as an opposition and is subject to the page limits provided in § 42.24.

(b) *Due date for response.* If no time for filing a patent owner response to a petition is provided in a Board order, the default date for filing a patent owner response is three months from the date the *inter partes* review was instituted.

* * * * *

20. 37 C.F.R. 42.121 provides:

§ 42.121 Amendment of the patent.

(a) *Motion to amend.* A patent owner may file one motion to amend a patent, but only after conferring with the Board.

(1) *Due date.* Unless a due date is provided in a Board order, a motion to amend must be filed no later than the filing of a patent owner response.

(2) *Scope.* A motion to amend may be denied where:

(i) The amendment does not respond to a ground of unpatentability involved in the trial; or

(ii) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

(3) *A reasonable number of substitute claims.* A motion to amend may cancel a challenged claim or propose a reasonable number of substitute claims. The presumption is that only one substitute claim would be needed to replace each challenged claim, and it may be rebutted by a demonstration of need.

(b) *Content.* A motion to amend claims must include a claim listing, which claim listing may be contained in an appendix to the motion, show the changes clearly, and set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and

(2) The support in an earlier-filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

(c) *Additional motion to amend.* In addition to the requirements set forth in paragraphs (a) and (b) of this section, any additional motion to amend may not be filed without Board authorization. An additional motion to amend may be authorized when there is a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement. In determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in paragraph (a)(1) of this section.

SUPREME COURT, U.S.
FILED
DEC 11 2015
OFFICE OF THE CLERK

No. 15-446

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

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QUESTIONS PRESENTED

In 2011, Congress created *inter partes* review, an administrative proceeding in the United States Patent and Trademark Office (PTO) in which members of the public can challenge the validity of issued patents and seek to obtain their cancellation. See 35 U.S.C. 311-319. The PTO was charged with prescribing regulations "establishing and governing inter partes review." 35 U.S.C. 316(a)(4). The questions presented are as follows:

1. Whether the PTO acted within its rulemaking authority in promulgating 37 C.F.R. 42.100(b), which, consistent with the agency's settled practice in other post-issuance proceedings, provides that patent claims shall be given their "broadest reasonable construction" during *inter partes* review proceedings.

2. Whether a party may challenge in the Federal Circuit the correctness of the PTO's decision whether to institute an *inter partes* review, despite Congress's directive in 35 U.S.C. 314(d) that such a determination "shall be final and nonappealable."

TABLE OF CONTENTS

Page

Opinions below 1
Jurisdiction 1
Statement 1
Argument 8
Conclusion 23

TABLE OF AUTHORITIES

Cases:

Achates Reference Publ'g, Inc. v. *Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015) 22
Carr, In re, 297 F. 542 (D.C. Cir. 1924) 10
Cooper Techs. Co. v. *Dudas*, 536 F.3d 1330 (Fed. Cir. 2008) 2, 16
Etter, In re, 756 F.2d 852 (Fed. Cir.), cert. denied, 474 U.S. 828 (1985) 11
FTC v. *Standard Oil Co. of Cal.*, 449 U.S. 232 (1980) 18
Hiniker Co., In re, 150 F.3d 1362 (Fed. Cir. 1998) 19
Leo Pharm. Prods., Ltd. v. *Rea*, 726 F.3d 1346 (Fed. Cir. 2013) 10, 12
Prater, In re, 415 F.2d 1393 (C.C.P.A. 1969) 10
Skvorecz, In re, 580 F.3d 1262 (Fed. Cir. 2009) 16
St. Jude Med., Cardiology Div., Inc. v. *Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014) 19
Tempo Lighting, Inc. v. *Tivoli, LLC*, 742 F.3d 973 (Fed. Cir. 2014) 12
United States v. *Mead Corp.*, 533 U.S. 218 (2001) 9
Versata Dev. Grp., Inc. v. *SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) 17, 21
Yamamoto, In re, 740 F.2d 1569 (Fed. Cir. 1984) 10, 11, 12

Statutes and regulations: Page

Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 (codified at 35 U.S.C. Ch. 30 (1982)) 2
Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 2
§ 18(a)(1), 125 Stat. 329 ..... 3, 4
§ 18(a)(1)(A), 125 Stat. 339 4
§ 18(a)(1)(E), 125 Stat. 330 ..... 4, 21, 22
§ 18(a)(3), 125 Stat. 330-331 22
§ 18(a)(3)(A), 125 Stat. 330 4
§ 18(d), 125 Stat. 331 4
§ 18(d)(2), 125 Stat. 331 4
35 U.S.C. 311 3
35 U.S.C. 312 19
35 U.S.C. 312(a) 20
35 U.S.C. 314(a) 19, 20
35 U.S.C. 314(d) ..... *passim*
35 U.S.C. 315(a) 20
35 U.S.C. 315(b) 20
35 U.S.C. 315(d) 14
35 U.S.C. 316 ..... 7, 15
35 U.S.C. 316(a) 4
35 U.S.C. 316(a)(4) 4, 8, 9, 15
35 U.S.C. 316(a)(9) 11
35 U.S.C. 316(b) 15
35 U.S.C. 316(d)(1)(B) 11, 13
35 U.S.C. 316(e) 11
35 U.S.C. 318(a) 4, 6, 18, 19, 21
35 U.S.C. 319 ..... 4, 5, 6, 18, 19, 21

Statutes and regulations—Continued: Page

35 U.S.C. 321(b) 3
35 U.S.C. 321(c) 3
35 U.S.C. 324(e) 4, 21
35 U.S.C. 325(d) 14
35 U.S.C. 326(a) 4
35 U.S.C. 326(a)(4) 15
35 U.S.C. 326(b) 4
35 U.S.C. 328(a) 4
35 U.S.C. 329 4
5 U.S.C. 704 18
35 U.S.C. 2(b) 16
35 U.S.C. 141(c) 6, 18
35 U.S.C. 282 11
35 U.S.C. 301(a)(2) 14
35 U.S.C. 301(d) 14
35 U.S.C. 303(a) 2, 20
35 U.S.C. 303(c) 2, 20
35 U.S.C. 304 2
35 U.S.C. 311-318 (2000) 2
35 U.S.C. 312(a) (2000) 2
35 U.S.C. 312(c) (2000) 2
35 U.S.C. 313 (2000) 2
37 C.F.R. Pt. 42 5
Section 42.4 5
Section 42.100(b) 5, 7, 9, 15, 16
Section 42.108 5
Sections 42.120-42.123 5
Section 42.200(b) 5
Section 42.208 5
Section 42.300(a) 5

Regulation—Continued: Page

Section 42.300(b) 5

Miscellaneous:

157 Cong. Rec. 3430 (2011) 20

77 Fed. Reg. (Aug. 14, 2012):

p. 48,697 16

p. 48,698 15

H.R. Rep. No. 98 Pt. 1, 112th Cong., 1st. Sess. (2011) 3

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In the Supreme Court of the United States

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

OPINIONS BELOW

The amended opinion of the court of appeals (Pet. App. 1a-47a) is reported at 793 F.3d 1268. The decision of the Patent Trial and Appeal Board (Pet. App. 109a-167a) is reported at 108 U.S.P.Q.2d 1852.

JURISDICTION

The amended judgment of the court of appeals was entered on July 8, 2015, and a petition for rehearing was denied on the same day (Pet. App. 48a-49a). The petition for a writ of certiorari was filed on October 6, 2015. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. a. Congress has long provided for administrative mechanisms by which a third party may ask the United States Patent and Trademark Office (PTO) to

reconsider the validity of an issued patent. In 1980, Congress authorized ex parte reexaminations. See Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 (codified at 35 U.S.C. Ch. 30 (1982)). Congress specified that the PTO could grant a request for reexamination only if the request raised "a substantial new question of patentability." 35 U.S.C. 303(a), 304. From the outset, however, Congress insulated aspects of the administrative-reconsideration process from judicial review, specifying that a determination by the PTO "that no substantial new question of patentability has been raised will be final and nonappealable." 35 U.S.C. 303(c).

In 1999, Congress added an option for *inter partes* reexamination, which allowed a third party to request and participate in the proceeding before the PTO and, after 2002, in any subsequent appeal. See *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1332 (Fed. Cir. 2008); 35 U.S.C. 311-318 (2000). As with an ex parte reexamination, the PTO could institute an *inter partes* reexamination only when "a substantial new question of patentability" had been raised. 35 U.S.C. 312(a), 313 (2000). Congress again barred appeals of aspects of the PTO's decision to institute a reexamination, specifying that any determination regarding the existence of a "substantial new question of patentability" would be "final and non-appealable." 35 U.S.C. 312(a) and (c) (2000).

b. In the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), Congress substantially expanded the procedures by which the PTO could reconsider the validity of issued patents. Congress thereby sought to provide "a meaningful opportunity to improve patent quality and restore

confidence in the presumption of validity that comes with issued patents in court." H.R. Rep. No. 98 Pt. 1, 112th Cong., 1st. Sess. 48 (2011) (*House Report*). The AIA replaced *inter partes* reexamination with *inter partes* review, which is an adversarial proceeding conducted before the new Patent Trial and Appeal Board (Board). See 35 U.S.C. 311. The AIA also changed the threshold showing necessary for the PTO to institute such a proceeding; made all patents subject to *inter partes* review, regardless of when they were issued; broadened the estoppel provisions to which petitioning parties would be subject; imposed strict timelines for completion of the review; and permitted judicial review only of the Board's final decision about patentability. See *House Report* 46-47; Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539, 598 (2012).

The AIA also established an entirely new procedure: "post-grant review." A petition for such review must be filed within nine months after a patent is issued, 35 U.S.C. 321(c), but "[u]nlike reexamination proceedings, * * * the post-grant review proceeding permits a challenge on any ground related to invalidity under [35 U.S.C.] 282." *House Report* 47; see 35 U.S.C. 321(b).

In an uncodified provision of the AIA, Congress created a special "transitional post-grant review proceeding for review of the validity of covered business method patents." AIA § 18(a)(1), 125 Stat. 329. Although that covered-business-method procedure is to "be regarded as, and shall employ the standards and procedures of, a post-grant review," *ibid.*, the PTO may institute a post-grant review of any covered-

business-method patent at any time during the term of the patent (*i.e.*, without regard to the nine-month window that would otherwise apply to post-grant review proceedings). See *id.* § 18(a)(1)(A), (E), (d), 125 Stat. 329-331. The AIA provided that the transitional post-grant review program for covered-business-method patents would expire after eight years. See *id.* § 18(a)(3)(A), 125 Stat. 330.

With respect to both *inter partes* and post-grant review proceedings, Congress has authorized an appeal to the Federal Circuit from the Board's final written decision about patentability. See 35 U.S.C. 318(a), 319, 328(a), 329. Congress has specified, however, that the PTO's threshold decision whether to institute an *inter partes* or post-grant review is "final and nonappealable." 35 U.S.C. 314(d), 324(e).

c. Congress authorized the PTO to promulgate rules to implement the AIA's new administrative-review schemes. See generally 35 U.S.C. 316(a), 326(a); AIA § 18(a)(1) and (d)(2), 125 Stat. 329, 331. As relevant here, the PTO may "prescribe regulations * * * establishing and governing" *inter partes* and post-grant review proceedings as well as specifying "the relationship of such review to other proceedings under this title." 35 U.S.C. 316(a)(4), 326(a)(4). The agency is similarly authorized to issue regulations establishing the transitional program for covered-business-method patents. AIA § 18(a)(1), 125 Stat. 329.

Pursuant to those grants of rulemaking authority, the PTO has promulgated regulations governing *inter partes* reviews, post-grant reviews, and transitional covered-business-method-patent proceedings, along with general rules of practice before the Board. See

generally 37 C.F.R. Pt. 42. Those rules delegate to the Board the Director's authority to determine whether to institute particular proceedings. See 37 C.F.R. 42.108, 42.208, 42.300(a); see also 37 C.F.R. 42.4. As relevant here, they also provide that, consistent with longstanding agency practice, "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. 42.100(b), 42.200(b), 42.300(b).

2. Petitioner owns U.S. Patent No. 6,778,074 (the '074 patent), which discloses an interface for displaying a vehicle's speed and the speed limit associated with its location. Pet. App. 1a-2a. Garmin International, Inc. and Garmin USA, Inc. petitioned for *inter partes* review of various claims in the '074 patent. *Id.* at 169a. The Board partially granted the petition, instituting *inter partes* review of three claims. *Id.* at 168a-198a.

After instituting the *inter partes* review, the Board conducted a full trial proceeding in accordance with its rules. See generally 37 C.F.R. 42.120-42.123. At the close of that proceeding, the Board issued its final written decision, Pet. App. 109a-167a, in which it gave the claims at issue their broadest reasonable construction in light of the patent's specification, *id.* at 117a. The Board concluded that, so construed, the claims were obvious over the prior art. *Id.* at 163a. Accordingly, the Board's final decision ordered that the three claims be cancelled. *Id.* at 2a, 166a.

3. As permitted by 35 U.S.C. 319, petitioner appealed the Board's decision to the Federal Circuit, which affirmed. Pet. App. 1a-30a.

The court of appeals rejected petitioner's attempt to challenge the Board's decision to institute *inter partes* review. Pet. App. 5a-11a. The court explained that an *inter partes* review proceeds in two phases: "In the first phase, the PTO determines whether to institute [*inter partes* review]. In the second phase, the Board conducts the [review] proceeding and issues a final decision" with respect to patentability. *Id.* at 5a; see 35 U.S.C. 318(a). Petitioner challenged the Board's decision to institute a review with respect to two claims of the '074 patent. The court concluded that 35 U.S.C. 314(d), which makes the PTO's decision whether to institute *inter partes* review "final and nonappealable," bars judicial review of the first phase of the Board's decision "even after a final decision," because the plain language of the statute bars all appeals, not just interlocutory ones. Pet. App. 7a. The court further explained that other Patent Act provisions (specifically, 35 U.S.C. 141(c) and 319) "already limit appeals to appeals from final decisions." Pet. App. 7a. The court inferred that, "[b]ecause § 314(d) is unnecessary to limit interlocutory appeals, it must be read to bar review of all institution decisions, even after the Board issues a final decision." *Ibid.*[1]

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[1] The court of appeals left open the question whether the PTO's decision to institute a review proceeding could be "reviewable by mandamus after the Board issues a final decision" when the "PTO has clearly and indisputably exceeded its authority." Pet. App. 9a-10a. The court concluded that, even if mandamus review could be available under those circumstances, petitioner was not entitled to mandamus relief because "there is no clear and indisputable right that precludes institution of the [*inter partes* review] proceeding" in this case. *Id.* at 11a.

The court of appeals then held that, in promulgating 37 C.F.R. 42.100(b), the PTO had reasonably required patent claims to be given their "broadest reasonable construction" in an *inter partes* review. Pet. App. 11a-21a. The court noted that the materially identical "broadest reasonable interpretation standard has been applied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings," including proceedings that involve the PTO's review of issued patents. *Id.* at 13a-14a. The court concluded that Congress intended to permit the PTO to use that familiar standard in the new post-issuance proceedings established by the AIA. *Id.* at 15a-18a. The court further held that, even if Congress itself had not implicitly endorsed the broadest-reasonable-construction rule, the rule was a valid exercise of the rulemaking authority that Congress had granted to the PTO in 35 U.S.C. 316. See Pet. App. 18a-21a.

Judge Newman dissented. Pet. App. 30a-47a. In her view, the PTO's use of the broadest reasonable construction of patent claims is inconsistent with Congress's expectation that *inter partes* review would be a surrogate for district-court litigation, in which a different standard would be applied. *Id.* at 32a-45a. She also would have held that Section 314(d) prevents only "interlocutory delay and harassing filings," and therefore does not "preclude judicial review of whether" the PTO correctly applied statutory criteria when determining whether to institute an *inter partes* review. *Id.* at 46a.

4. The court of appeals denied rehearing en banc. Pet. App. 48a-49a. Judge Dyk, joined by three judges, concurred in the denial of rehearing. He explained that, "[i]n the absence of evidence of congressional

intent to abrogate the broadest reasonable interpretation standard," the court "should not act to adopt a different standard based on our own notions of appropriate public policy." *Id.* at 52a.

Five judges jointly dissented from the denial of rehearing en banc, asserting that the statute is silent about the claim-construction rule that Congress intended the PTO to use in *inter partes* review proceedings. Pet. App. 52a-54a. In light of Congress's failure to address the question explicitly, and the adjudicative nature of *inter partes* review proceedings, the dissenters found it "unclear * * * why the district court standard [of claim construction] should not apply." *Id.* at 54a-57a. Despite Congress's grant of authority to the PTO to issue regulations "establishing and governing inter partes review," 35 U.S.C. 316(a)(4), the dissenting judges found it "far from clear * * * that this is a case in which we must defer to the PTO's action." Pet. App. 59a. The dissenters also would have found the agency's regulation unreasonable even if a deferential standard of review applied. They would have held that, because *inter partes* review involves "an already issued claim," disputed claim language should be construed "as in district court litigation." *Id.* at 60a-61a.

Judge Newman filed a separate dissent from the denial of rehearing en banc. She reiterated her view that, in "post-issuance review," the PTO should "apply the claim construction that is applied by the courts" rather than the broadest reasonable construction. Pet. App. 61a.

ARGUMENT

1. Petitioner contends (Pet. 23-28) that the Federal Circuit erred in sustaining the validity of the PTO's

regulation providing that patent claims are to be given their broadest reasonable construction during *inter partes* review. That argument lacks merit. The PTO's regulation is consistent with the agency's longstanding practice, including in other post-issuance administrative proceedings. The Federal Circuit correctly held that the agency, in adopting 37 C.F.R. 42.100(b), had acted within its authority and in a manner consistent with Congress's intent. Petitioner's contrary arguments are properly addressed to Congress, which has recently considered, but not enacted, legislation that would adopt petitioner's preferred approach.

a. Although the Patent Act is silent about the appropriate methodology for claim construction in *inter partes* review proceedings, Congress has granted the PTO broad authority to "prescribe regulations * * * establishing and governing inter partes review." 35 U.S.C. 316(a)(4). Pursuant to that grant of rulemaking power, and following notice and comment, the PTO promulgated a regulation specifying that, in *inter partes* review proceedings, "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. 42.100(b). Such a regulation is "binding in the courts unless procedurally defective, arbitrary or capricious in substance, or manifestly contrary to the statute." *United States* v. *Mead Corp.*, 533 U.S. 218, 227 (2001). The PTO acted well within its discretion in adopting Section 42.100(b).

The PTO and its predecessors have long used the broadest-reasonable-construction standard (sometimes also described as the broadest-reasonable-interpretation standard) when construing unexpired patents. The standard has been used not only in the

process of examining patent applications, but in various kinds of post-issuance proceedings for reconsidering previously granted patents. That standard has been approved by federal courts in various contexts for nearly a century. See, *e.g.*, *Leo Pharm. Prods., Ltd.* v. *Rea*, 726 F.3d 1346, 1352 (Fed. Cir. 2013) (*inter partes* reexamination); *In re Yamamoto*, 740 F.2d 1569, 1571-1572 (Fed. Cir. 1984) (ex parte reexamination); *In re Prater*, 415 F.2d 1393, 1404-1405 (C.C.P.A. 1969) (initial examination); *In re Carr*, 297 F 542, 543-544 (D.C. Cir. 1924) (same). As the D.C. Circuit explained more than 90 years ago, the standard appropriately differs from the one employed by courts because courts seek to preserve the validity of a patent "if possible," but, before a patent has issued, "there is no reason * * * why an applicant * * * should not draw his claims to cover his actual invention only." *Carr*, 297 F at 543-544.

Using the broadest reasonable construction of patent claims promotes that outcome. Because the agency may reject as unpatentable any claims that could reasonably be read to encompass the prior art or obvious variants thereof, inventors are encouraged to avoid that result by amending their claims in agency proceedings to track more precisely what they have actually invented. The standard promotes clarity and precision in claim drafting by ensuring that patent claims under scrutiny before the agency comply with statutory requirements even when they are given their broadest reasonable construction.

The same policy rationales that have long justified application of the broadest-reasonable-interpretation standard in initial examinations of patent applications also apply to post-issuance review proceedings under

the AIA. Unlike in district-court litigation, where a patent is presumed to be valid and the language in its claims is fixed and unalterable, patent claims can still be amended or replaced during PTO administrative proceedings, in which there is no presumption of validity.[2]

Thus, if a patentee discovers in an *inter partes* review proceeding that the language of his patent can be read more broadly than he intended, the statute permits him to submit a motion that "propose[s] a reasonable number of substitute claims" for each challenged claim. 35 U.S.C. 316(d)(1)(B); see 35 U.S.C. 316(a)(9). As in the initial examination process—a setting in which petitioner does not contest the propriety of the broadest-reasonable-interpretation approach, see Pet. 23-25—a patentee in the *inter partes* review process retains "the ability to correct errors in claim language and adjust the scope of claim protection as needed," an "opportunity * * * not available in an infringement action in district court." *Yamamoto*, 740 F.2d at 1572. Such considerations led the Federal Circuit to reject a similar challenge to use of the broadest-reasonable-interpretation standard in reex-

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[2] In district-court patent-infringement litigation, there is a statutory presumption that an issued patent is valid. See 35 U.S.C. 282. That presumption, however, does not apply in agency proceedings. See 35 U.S.C. 316(e) (in *inter partes* review proceedings, unpatentability need be proved only by preponderance of the evidence); *In re Etter*, 756 F.2d 852, 858 (Fed. Cir.) (en banc) (holding that "§ 282 has no application in reexamination proceedings"), cert. denied, 474 U.S. 828 (1985); cf. AIPLA Amicus Br. 7-10. Where the presumption of validity is inapplicable, there is less reason to permit a patent holder to retain claims whose language can reasonably be interpreted to encompass material that renders them invalid.

amination proceedings more than three decades ago. See *id.* at 1571-1572.

b. Petitioner seeks to distinguish *inter partes* review proceedings on the ground that they are more adversarial than other types of administrative proceedings. Pet. 26-27; see also Intellectual Prop. Law Ass'n of Chicago Amicus Br. 4-5. But the PTO has consistently, and with court approval, applied its broadest-reasonable-construction standard in *inter partes*, as well as ex parte, proceedings. See, *e.g.*, *Tempo Lighting, Inc.* v. *Tivoli, LLC*, 742 F.3d 973, 977 (Fed. Cir. 2014); *Leo Pharm. Prods.*, 726 F.3d at 1352.

In any event, the standard's applicability does not turn on whether a proceeding is adversarial, but on whether the language of the patent claim is still subject to amendment. The standard serves the same important functions in the post-issuance review context that it does in other PTO proceedings, and for the same fundamental reasons: because the statute contemplates the possibility of claim amendments to clarify the scope of the patent owner's exclusive rights, and because encouraging additional clarity is in the public interest. See *Yamamoto*, 740 F.2d at 1572 ("An applicant's ability to amend his claims to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents.").

Petitioner further contends (Pet. 25) that other PTO proceedings offer a more "liberal right to amend" than the one available to a patentee participating in *inter partes* review. It is hardly surprising, however, that a post-issuance review scheme places limits on a patent holder's ability to amend his claims, since the patent owner has already enjoyed one full

opportunity during the initial examination to refine his claims into patentable form. Unlike in district-court litigation, a patent owner in an *inter partes* review proceeding may still "propose a reasonable number of substitute claims" responsive to the agency's concerns, 35 U.S.C. 316(d)(1)(B), and thereby clarify the intended scope of his asserted patent rights.

Petitioner relies (Pet. 25) on the interpretive methodology that the PTO uses in "reexamination proceedings involving claims of expired patents," in which the agency applies the same rule of claim construction as do the courts. Far from supporting petitioner's argument here, however, the PTO's practice with respect to expired patents underscores the fact that the agency *does* take account of the possibility of claim amendments when deciding whether the broadest-reasonable-construction method should be used. The PTO applies the judicial rule of claim construction to expired patents because such patents are no longer subject to *any* amendment (not, as petitioner suggests, because "the patentee lacks the liberal right to amend at its own discretion," Pet. 25). See PTO, *Manual of Patent Examining Procedure* § 2258 I.G, at 2200-100 (9th ed. Oct. 2015) (explaining that the courts' standard applies "[i]n a reexamination proceeding involving claims of an expired patent * * * since the expired claim[s] are not subject to amendment").

In determining that the broadest-reasonable-construction method should be used in this setting, the PTO did not ignore the fact that the opportunity to amend contested claims is more limited during *inter partes* review than during the initial examination. It

simply concluded that, for this procedural purpose, *inter partes* review is more closely analogous to initial examination (where petitioner does not dispute the propriety of the broadest-reasonable-construction rule, see Pet. 23-25) than to district-court litigation (where no amendment of contested claims is permitted). That is precisely the sort of expert judgment that warrants judicial deference, particularly given Congress's express grant of authority to promulgate agency rules governing *inter partes* review.[3]

Petitioner also fails to reconcile its arguments with the PTO's power to combine an *inter partes* review proceeding with other forms of post-issuance proceedings in which it is uncontested that the PTO may properly use the broadest-reasonable-construction standard. The agency often has multiple pending proceedings concerning the same patent—for example, an ex parte reexamination, a request for reissue, and an *inter partes* review—and Congress has authorized the PTO to create a single consolidated proceeding in such circumstances. See 35 U.S.C. 315(d). Congress has also directed the agency, when formu-

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[3] As petitioner's amici explain, Congress has authorized the PTO to consider during *inter partes* review a variety of evidence that is not normally available to the agency during initial examination (such as the patent owner's own arguments in prior district court or PTO proceedings). See 3M Amicus Br. 14 (citing 35 U.S.C. 301(a)(2) and (d), 325(d)); PhRMA Amicus Br. 13 (similar). That fact does not cast doubt on the agency's decision to use the broadest-reasonable-construction method in *inter partes* reviews. Such reviews differ in significant respects from *both* initial examinations *and* district-court infringement suits. The PTO reasonably determined, however, that for this procedural purpose, *inter partes* review of an unexpired patent is more closely analogous to initial examination than to infringement litigation.

lating rules for the new post-issuance review schemes, to consider the "efficient administration of the [PTO], and the ability of the [PTO] to timely complete proceedings instituted under this chapter." 35 U.S.C. 316(b), 326(b).

Reexaminations and proceedings for reissuance have for decades been conducted according to the broadest-reasonable-construction standard. In adopting the regulation at issue here, the PTO explained that using the same interpretive method in the new *inter partes* review proceedings would mitigate the "inefficiencies" that would arise if the agency were required to apply different claim-construction standards simultaneously to the same patent, noting that "[i]t would be anomalous for the Board to have to apply two different standards in the merged proceeding." 77 Fed. Reg. 48,698 (Aug. 14, 2012). The court of appeals likewise recognized that "[t]he possibility of consolidating multiple types of proceedings suggests a single claim construction standard across proceedings is appropriate." Pet. App. 20a. Petitioner offers no response to that rationale.

c. Petitioner asserts that Section 42.100(b) exceeds the PTO's rulemaking authority because the agency purportedly "lacks the power * * * to prescribe substantive rules." Pet. 27-28; see Pet. App. 59a (joint dissent from denial of rehearing en banc); 3M Amicus Br. 16-17. But nothing in the AIA's delegation of rulemaking authority limits the agency to "procedural" rules. Congress broadly authorized the agency to prescribe regulations "establishing" and "governing" *inter partes* review, as well as defining the "relationship of such review to other proceedings under this title." 35 U.S.C. 316(a)(4). Petitioner identifies no per-

suasive reason to conclude that Section 42.100(b) falls outside those capacious grants of rulemaking power.

Even if Section 316 authorized only procedural rules, the broadest-reasonable-construction standard would be "procedural" in the sense in which the Federal Circuit has previously discussed the PTO's general rulemaking authority under 35 U.S.C. 2(b). See *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1335-1337 (Fed. Cir. 2008) (holding that a PTO rule interpreting the phrase "original application" in the *inter partes* reexamination statute was entitled to *Chevron* deference). The standard reflected in Section 42.100(b) does not prescribe what is patentable and what is not; it prescribes a procedure for the Board to employ in applying the Patent Act's requirements to the claims before it. It is simply "an examination expedient." *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009). As the PTO explained, moreover, using the broadest-reasonable-construction standard in post-issuance review proceedings did "not change any substantive rights relative to the current practice," because the agency has long applied the same standard in initial examinations and reexaminations. 77 Fed. Reg. at 48,697.

d. This Court's review of the PTO's claim-construction regulation would be particularly unwarranted in light of Congress's own awareness of and recent attention to these issues. As Judge Dyk explained in his opinion concurring in the denial of rehearing en banc, "[i]f the [claim-construction] standard is to be changed, that is a matter for Congress." Pet. App. 52a. Indeed, as he noted, "[t]here are pending bills which would do just that." *Id.* at 52a & n.1 (citing bills that would specify a claim-construction standard for use in AIA post-issuance proceedings).

Petitioner asserts (Pet. 33) that "those bills are not close to enactment." But their very existence demonstrates that Congress can, if it chooses, implement a different claim-construction standard than has ever been used in an administrative proceeding to determine the validity of an unexpired patent. That such a policy shift may not proceed through the Legislature with the speed petitioner desires—or may not ultimately pass—is no reason for this Court to effectuate that change unilaterally.[4]

2. Petitioner contends (Pet. 28-32) that the court of appeals erred in refusing to entertain its challenge to the validity of the PTO's initial decision to institute the *inter partes* review proceeding in this case. That contention lacks merit and does not warrant the Court's review.

a. The court of appeals correctly held that 35 U.S.C. 314(d) means what it says: the PTO's decision "whether to institute an inter partes review * * * shall be final and nonappealable." Despite that clear

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[4] In her dissent from the denial of rehearing en banc, Judge Newman suggested that the PTO's rule "has no defender other than a majority of the Federal Circuit court." Pet. App. 61a (invoking amicus curiae briefing opposing rule). In fact, the broadest-reasonable-construction rule was defended by many amici in *Versata Development Group, Inc.* v. *SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015), a case that was calendared before, but ultimately argued after, this case. See Amicus Br. of Dell Inc., Ebay Inc., Facebook, Inc., Google Inc., Limelight Networks Inc., Newegg Inc., QVC, Inc., Rackspace Hosting, Inc., Red Hat, Inc., SAS Institute Inc., Vizio, Inc., and Xilinx, Inc., 2014 WL 2069516, *Versata*, *supra*, No. 2014-1194 (Fed. Cir.); Amicus Br. of Intel Corp., ASUSTeK Computer Inc., Broadcom Corp., Hewlett-Packard Co., HTC Corp., and ZTE (USA), Inc., 2014 WL 2069517, *Versata*, *supra*.

and uncaveated language, petitioner contends (Pet. 30) that the statute must be read to render the agency's decision final and nonappealable only "*at the time it is made*"—that is, to bar only interlocutory appeals of the agency's decision to begin the *inter partes* review process. By its plain terms, however, Section 314(d) does not merely defer appeals of institution decisions until the end of the administrative proceedings; it bars such challenges entirely. See Pet. App. 7a (explaining that Section 314(d) "is not directed to precluding review only before a final decision," but rather serves "to exclude all review of the decision whether to institute review").

Under petitioner's reading, moreover, Section 314(d) would impose no practical limit on judicial review that is not separately imposed by other provisions of the AIA. Those other AIA provisions limit the Federal Circuit's review to appeals from final decisions with respect to patentability. 35 U.S.C. 141(c), 318(a), 319. Because Section 314(d) is "unnecessary to limit interlocutory appeals," the Federal Circuit correctly explained that it "must be read to bar review of all institution decisions, even after the Board issues a final decision." Pet. App. 7a. If Congress had simply wished to defer review of the institution decision until the Board had issued a final decision, Section 314(d) would have been unnecessary, because background principles of administrative law would already have required that result. See generally 5 U.S.C. 704; *FTC* v. *Standard Oil Co. of Cal.*, 449 U.S. 232, 239-243 (1980).[5]

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[5] The Federal Circuit's interpretation of Section 314(d) is consistent with that court's longstanding precedent. Even before Congress enacted a broader no-appeal bar to cover decisions

b. Petitioner contends in the alternative (Pet. 31) that, even if Section 314(d) has some effect beyond barring interlocutory appeals, it should be read as precluding only challenges to the Board's determination, pursuant to 35 U.S.C. 314(a), that the party seeking *inter partes* review has established "a reasonable likelihood" of "prevail[ing] with respect to at least 1 of the claims" it challenges. By its plain terms, however, Section 314(d) precludes appeal of *all* "determination[s] by the [PTO] whether to institute an inter partes review under this section." Nothing in Section 314(d) suggests that the applicability of that barrier to review depends on the gravamen of the appellant's legal challenge.

Petitioner's alternative argument would yield the unlikely result that, for the first time under any iteration of the Patent Act, some PTO decisions *not* to institute post-issuance review would be appealable to a court. Under petitioner's approach, the PTO's refusal to institute a proceeding would be appealable to the Federal Circuit if it was based on any rationale other than the failure of the party seeking review to establish a "reasonable likelihood" of prevailing. Many other potential grounds exist. See, *e.g.*, 35 U.S.C. 312 (requiring a petition to institute review to include certain information and to be accompanied by

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"whether" to institute a post-issuance proceeding, the Federal Circuit refused to hear challenges to an institution decision where "there is no provision granting [this Court] direct review of that decision." *In re Hiniker Co.*, 150 F.3d 1362, 1367 (Fed. Cir. 1998) (interpreting ex-parte-reexamination procedures); see Pet. App. 8a-9a. The same is true for the Federal Circuit's jurisdiction over appeals from PTO decisions to institute *inter partes* reviews. See 35 U.S.C. 318(a), 319; *St. Jude Med., Cardiology Div., Inc.* v. *Volcano Corp.*, 749 F.3d 1373, 1375-1376 (Fed. Cir. 2014).

the requisite fee); 35 U.S.C. 315(a) (precluding institution of review if the petitioner or its real party in interest "filed a civil action challenging the validity of a claim of the patent" before filing a petition); 35 U.S.C. 315(b) (precluding institution of review if the patent owner filed a complaint for infringement against the petitioner, the petitioner's privy, or the petitioner's real party in interest more than a year before the petition is filed).[6] Such a result cannot be squared with either the statutory language or the evolution of other provisions governing post-grant administrative proceedings, which have always clearly precluded appeals from agency decisions not to revisit an issued patent. See 35 U.S.C. 303(a) and (c) ("A determination by the [PTO] * * * that no substantial new question of patentability has been raised will be final and nonappealable.").

c. The Federal Circuit's decision furthers the purposes of the AIA. By authorizing appeal only of the agency's "final written decision with respect to the

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[6] The AIA permits the PTO to deny even petitions that *satisfy* the statutory prerequisites for instituting a proceeding. Although the statute establishes various prerequisites to the PTO's institution of *inter partes* reviews, it does not require that such a review be instituted in any particular circumstance. See 35 U.S.C. 312(a), 314(a) and (d), 315(a) and (b) (specifying circumstances in which the PTO "may not" institute review, but identifying no instance in which the PTO *must* institute review). As Senator Kyl explained, that approach "reflects a legislative judgment that it is better that the [PTO] turn away some petitions that otherwise satisfy the threshold for instituting an inter partes or post-grant review than it is to allow the [PTO] to develop a backlog of instituted reviews that precludes the [PTO] from timely completing all proceedings." 157 Cong. Rec. 3430 (2011). Petitioner's interpretation of Section 314(d), however, would permit appeals of such refusals to institute *inter partes* review.

patentability" of a claim, 35 U.S.C. 318(a), 319, and precluding appeal of the agency's threshold decision to institute a proceeding, 35 U.S.C. 314(d), Congress ensured that the PTO's substantive patentability determinations would be subject to judicial scrutiny, while avoiding the waste and expense entailed in relitigating threshold questions that do not bear on the proper scope of the patentee's exclusive rights. Petitioner's reading, however, would permit appeals from agency decisions of a kind never before subject to appeal and would allow patent owners to revive unpatentable claims based solely on procedural defects in the initiation of agency review. Allowing such challenges would subvert Congress's purpose—central to the AIA—of making post-issuance proceedings before the PTO an efficient alternative for testing the patentability of issued claims.

d. Petitioner contends (Pet. 20-23) that review of this question is warranted in light of conflicting decisions within the Federal Circuit. In terms materially identical to Section 314(d), 35 U.S.C. 324(e) provides that PTO decisions to institute post-grant review or transitional post-grant review are "final and nonappealable." In *Versata Development Group, Inc.* v. *SAP America, Inc.*, 793 F.3d 1306 (2015), a divided panel of the Federal Circuit construed Section 324(e) to permit appeal of the PTO's determination that a patent included a "covered business method" within the meaning of Section 18(a)(1)(E) of the AIA. See *id.* at 1319-1323. The majority reached that conclusion despite the fact that the statute makes the existence of a "covered business method patent" relevant only to the availability of a particular form of PTO post-issuance review, not to the ultimate determination

whether the patent is valid. See AIA § 18(a)(1)(E), 125 Stat. 330 (providing that "[t]he Director may institute" a transitional post-grant review "only for a patent that is a covered business method patent").

The government believes that *Versata* was incorrectly decided, and it unsuccessfully sought rehearing en banc in that case.[7] The Federal Circuit, however, has since expressly "limited" its holding in *Versata* "to the unique circumstances of" covered-business-method-patent review, *Achates Reference Publ'g, Inc.* v. *Apple Inc.*, 803 F.3d 652, 657 (Fed. Cir. 2015), and that transitional program will expire in 2020, see AIA § 18(a)(3), 125 Stat. 330-331.

If the court of appeals expands *Versata* to PTO determinations other than whether a petition challenges a "covered business method patent," this Court's review may be appropriate to protect the integrity of AIA post-issuance-review proceedings. But there is no reason to assume that the Federal Circuit will depart from *Achates* and apply its *Versata* holding to any PTO determination other than whether a patent includes a covered business method. The question presented therefore does not warrant this Court's review at this time.

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[7] On October 15, 2015, the Federal Circuit denied the government's petition for rehearing en banc in *Versata*.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR THE PETITIONER

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TABLE OF CONTENTS

Page

I. The question of whether the Board applies the proper claim construction standard warrants review. 1

A. The question is exceptionally important. 1

B. The Board applies the wrong claim construction standard 2

II. The question of whether the Board may freely exceed its statutory authority warrants review. 8

A. The question is exceptionally important. 8

B. The Board may not act unlawfully in instituting IPR without any judicial oversight. 10

TABLE OF AUTHORITIES

Cases:

Achates Reference Publishing, Inc. v. *Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015) 9

Bowen v. *Mich. Acad. of Family Physicians*, 476 U.S. 667 (1986) 12

Cooper Techs. Co. v. *Dudas*, 536 F.3d 1330 (Fed. Cir. 2008) 3

Cases—Continued:

GEA Process Eng'g, Inc. v. *Steuben Foods, Inc.*, IPR2014-00054, Paper No. 11 (Mar. 10, 2014) 7

Google, Inc. v. *Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper No. 50 (Feb. 13, 2014) 5

Idle Free Systems, Inc. v. *Bergstrom, Inc.*, IPR2012-00027, Paper No. 26 (June 11, 2013) 7

In re Etter, 756 F.2d 852 (Fed Cir. 1985) 4

In re Procter & Gamble Co., 749 F.3d 1376 (Fed. Cir. 2014) 11

In re Skvorecz, 580 F.3d 1262 (Fed. Cir. 2009) 3

Mach Mining, LLC v. *EEOC*, 135 S. Ct. 1645 (2015) 12

Michigan v. *EPA*, 135 S. Ct. 2699 (2015) 8

SightSound Techs., LLC v. *Apple Inc.*, 2015 WL 8770164 (Fed. Cir. Dec. 15, 2015) 9

SmithKline Diagnostics, Inc. v. *Helena Labs. Corp.*, 859 F.2d 878 (Fed. Cir. 1988) 6

Cases—Continued:

Versata Development Group, Inc. v. *SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) 8, 9, 10

Statutes and regulations:

Patent Act, 35 U.S.C. 1 *et seq.*:
2(b) 3
141(c) 10
305 5
314(d) 10, 11, 12
316(a) 2, 5
316(d) 7
316(e) 5
318(a) 10
319 10
324(e) 8
37 C.F.R.:
1.104 5
42.100(b) 2, 3
42.121(a) 7

Miscellaneous:

H.R. Rep. No. 112-98, pt. 1 (2011) 4
157 Cong. Rec. S1111 (daily ed. Mar. 2, 2011) 5
77 Fed. Reg. 48,680 (Aug. 14, 2012) 7
Petition for Rehearing En Banc, *Versata Development Group, Inc.* v. *SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) (No. 2014-1194) 9, 10

REPLY BRIEF FOR THE PETITIONER

The Government's response reads like a merits brief. It does not seriously dispute that the questions presented are extremely important to the patent system, that the issues have deeply divided the Federal Circuit, or that this case is an ideal vehicle for resolving them. In short, the Government has almost nothing to say about any of this Court's traditional certiorari criteria. Instead, the Government defends at length the result below. Those arguments should receive a full airing on the merits, but suffice it to say that the Government's arguments are incorrect and do not militate against further review in a case of such exceptional importance to patent holders and challengers.

I. THE QUESTION OF WHETHER THE BOARD APPLIES THE PROPER CLAIM CONSTRUCTION STANDARD WARRANTS REVIEW.

A. The Question Is Exceptionally Important.

Congress designed *inter partes* review (IPR) to serve as an efficient surrogate for district-court litigation over patent validity. See Pet. App. 54a (joint dissent); *id.* at 32a (Newman, J., dissenting). In the three-plus years since the IPR system took effect, it has become a surprisingly lethal tool for invalidating patents. One significant reason is that the Patent Trial and Appeal Board affords claims in issued patents their broadest reasonable interpretation (BRI), making relevant a broader array of art and rendering it much easier to invalidate issued patents. See Pet. 16 (Board has cancelled patent claims in nearly 85% of IPR trials). By contrast, district courts and the In-

ternational Trade Commission (ITC) construe such claims according to their plain and ordinary meaning. Patent challengers thus file IPR petitions in droves to take advantage of the Board's more favorable standard—and they even take a second bite at the apple in IPR proceedings after having lost in litigation. See InterDigital Amicus Br. 17-20; see also BIO Amicus Br. 7-9; PhRMA Amicus Br. 9-10. The inconsistency in claim construction generates uncertainty for patentees and invites gamesmanship by challengers. The Government therefore correctly does not dispute that the question is a very important one.

B. The Board Applies The Wrong Claim Construction Standard.

The Government instead argues (Br. 8-16) that the PTO acted within its authority in promulgating 37 C.F.R. 42.100(b), which adopts the BRI standard for IPR proceedings. The Government's merits defenses are mistaken.

1. The PTO's regulation exceeds its rulemaking authority.

The America Invents Act (AIA) grants authority to the PTO to prescribe regulations governing the conduct of IPR trials, including joinder, discovery and protective orders, briefing procedures, oral argument, timely disposition by the Board, and sanctions for abusive conduct. 35 U.S.C. 316(a)(3), (5)-(8), and (10)-(12). The Government grounds (Br. 15) the PTO's authority to promulgate Section 42.100(b) in Paragraph 4, which allows the PTO to prescribe regulations "establishing and governing inter partes review" and "the relationship of such review to other proceedings" under Title 35. *Id.* § 316(a)(4).

Paragraph 4's language is substantially similar to that of a longstanding provision of the Patent Act, which grants authority to the PTO to prescribe regulations "govern[ing] the conduct of proceedings in the Office." 35 U.S.C. 2(b)(2)(A). The Federal Circuit has held that "[t]o comply with section 2(b)(2)(A), a Patent Office rule must be *procedural*." *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1335 (Fed. Cir. 2008) (internal quotation marks omitted; emphasis added). The Government identifies no persuasive reason to conclude that the PTO's authority under the AIA is broader than its authority under the Patent Act.

Contrary to the Government's argument (at 16), the BRI standard is not procedural. The standard is clearly substantive because, by allowing prior art that would be irrelevant in district-court proceedings to invalidate a patent, it "effects a change in existing law or policy which affects individual rights and obligations." *Cooper*, 536 F.3d at 1336 (internal quotation marks and brackets omitted). The Government itself recognizes that the BRI standard has never been used as an *adjudicatory* tool to assess the validity of issued patents. The protocol is "simply 'an *examination* expedient.'" Br. 16 (quoting *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009); emphasis added). And affording claims their broadest reasonable meaning rather than their ordinary meaning can make all the difference for whether a patent holder retains the valuable property right in its patent.

2. The PTO's regulation is unreasonable.

Even assuming that Section 42.100(b) does not exceed the PTO's rulemaking authority, it is plainly unreasonable.

a. Throughout its discussion of the BRI standard, the Government makes virtually no mention of the AIA. It argues (Br. 9-10, 15) instead that, because the BRI standard historically has been used in other types of post-issuance examinational proceedings, the PTO acted permissibly in adopting the standard for adjudicatory IPR proceedings as well. But the IPR system sprang from Congress's dissatisfaction with the examinational nature of those other types of post-issuance proceedings. See, *e.g.*, H.R. Rep. No. 112-98, pt. 1 at 46-47 (2011) ("The Act converts inter partes reexamination from an examinational to an adjudicative proceeding, and renames the proceeding 'inter partes review.'"); IPO Amicus Br. 8-9.

The Government is thus wrong (Br. 10) to analogize *inter partes* review to *inter partes* reexamination, because the purpose of *inter partes* reexamination is "to 'start over' in the PTO * * * and to *examine* new or amended claims, as they would have been considered if they had been originally examined in light of all of the prior art of record in the reexamination proceeding." *In re Etter*, 756 F.2d 852, 857 (Fed Cir. 1985) (en banc) (emphasis in original). "[T]he focus of [reexamination] is on curing defects which occurred during a proceeding in the PTO, which was responsible for original issuance of the patent." *Id.* at 858.

By contrast, *inter partes* review does not involve PTO examination at all. Rather, it adjudicates the validity of the patent in a trial-like setting before a panel of three administrative patent judges. In short, IPR provides a relatively quick and inexpensive "surrogate for district court validity determinations." Pet. App. 54a (joint dissent) (internal quotation marks omitted); see *id.* at 32a (Newman, J., dissenting);

157 Cong. Rec. S1111 (daily ed. Mar. 2, 2011) (Sen. Leahy, Exh. 1) ("[The AIA] decreases the likelihood of expensive litigation because it creates a less costly, in-house administrative alternative to review patent validity claims."). The Government is thus correct that the question here is whether IPR proceedings are "more closely analogous to initial examination * * * [or] district-court litigation," Br. 14, but the PTO has given the fundamentally wrong answer in light of the AIA's text, history, and structure.

Indeed, both the Board and the panel majority acknowledge that an IPR proceeding "is neither a patent examination nor a patent reexamination," but "a trial, adjudicatory in nature." *Google, Inc.* v. *Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper No. 50, at 4 (Feb. 13, 2014); see Pet. App. 17a ("IPR may be said to be adjudicatory rather than an examination."). Given the adjudicatory nature of IPR proceedings, the Government makes no effort to explain—as the panel majority did not—"why Congress (or anyone else) would have thought it desirable or necessary for the Board to construe the claims during IPRs under a different legal framework than the one used by district courts." Pet. App. 54a-55a (joint dissent).[1]

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[1] The Government asserts (Br. 12) that the PTO has applied the BRI standard in *inter partes* reexaminations, which are adversarial like *inter partes* reviews. But as explained in the text, the two procedures are fundamentally different—and intentionally so. In *inter partes* reexamination, the examiner rather than the petitioner has the burden of proving unpatentability, and there is no discovery, motion practice, or oral argument. Compare 35 U.S.C. 316(a), (e), with 35 U.S.C. 305 and 37 C.F.R. 1.104. The Government also attempts to justify a broader standard because patents are not

The Government also makes no effort to explain why patent owners should be deprived of patent rights on the basis of claim constructions broader in scope than would apply in district-court infringement actions. Pet. App. 65a (Newman, J., dissenting); see AIPLA Amicus Br. 10; IPO Amicus Br. 7. Application of the BRI standard in IPR proceedings leads to the invalidation of patents that would be held valid under the correct standard in district court, and violates settled law that "claims must be interpreted and given the same meaning for purposes of both validity and infringement analysis." *SmithKline Diagnostics, Inc.* v. *Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988).

b. The Government offers two "policy rationales" for why IPR proceedings are similar to examinations, neither of which is persuasive. Br. 10. *First*, the Government argues (Br. 10-11) that patentees have the theoretical ability to amend their claims in IPR. Again, however, patentees' amendment ability in IPR is far "more closely analogous" to "district-court litigation" than to "initial examination." Br. 14. Unlike in examination proceedings, a patentee has no right to freely amend as part of an iterative back-and-forth with the examiner. Rather, after conferring with the Board, the patentee may file "1 motion to amend," which is presumptively limited to substituting one

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presumed valid in IPR proceedings. The presumption of validity, however, is logically distinct from the question of which claim-construction standard should apply. The presumption goes to the evidentiary threshold necessary to demonstrate invalidity, whereas the claim-construction standard goes to the nature of the evidence that can demonstrate novelty or obviousness.

amended claim for each challenged claim. 35 U.S.C. 316(d); see 37 C.F.R. 42.121(a).

Moreover, the standard for granting a motion to amend in IPR is extremely high. The patentee has the burden "to show a patentable distinction of each proposed substitute claim over the prior art" and "persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner." *Idle Free Systems, Inc.* v. *Bergstrom, Inc.*, IPR2012-00027, Paper No. 26, at 7 (June 11, 2013). As a result, the Board routinely denies motions to amend. "[O]f the 86 motions to amend filed in IPR proceedings as of June 30, 2015, *five* have been granted." BIO Amicus Br. 11 (emphasis in original). Simply put, the patentee has no right to amend—and very little practical ability to amend—that would justify construing claims more broadly than in district-court litigation. Br. 12.

Second, the Government erroneously contends (Br. 14-15) that IPRs should be treated like examinations because it is theoretically possible for the PTO to consolidate a reexamination proceeding and an ongoing IPR. It may be appropriate to consolidate separate IPR trials on the same patent, but it is rarely (if ever) appropriate to consolidate an IPR trial with a reexamination or reissue proceeding and such motions are virtually always denied. See, *e.g.*, *GEA Process Eng'g, Inc.* v. *Steuben Foods, Inc.*, IPR2014-00054, Paper No. 11, at 9 (Mar. 10, 2014). In any event, the PTO's own regulation provides that consolidation results in "a single inter partes review proceeding." 77 Fed. Reg. 48,680, 48,697 (Aug. 14, 2012). A consolidated proceeding should therefore apply whatever

claim-construction standard governs in IPR, and the fact of consolidation does not weigh in favor of the BRI standard over the ordinary-meaning standard.

c. The Government falls back on arguing that "Congress can, if it chooses, implement a different claim-construction standard." Br. 17. Of course Congress can always abrogate an agency's unlawful regulation, but that does not insulate such regulations from judicial review. See, *e.g.*, *Michigan* v. *EPA*, 135 S. Ct. 2699 (2015). As in other cases, this Court can correct the agency's mistaken interpretation of the statute and obviate the need for Congress to take action. Given the immediate harms from the Board's continued application of a broader claim-construction standard than district courts and the ITC, this Court's review is warranted now.

II. THE QUESTION OF WHETHER THE BOARD MAY FREELY EXCEED ITS STATUTORY AUTHORITY WARRANTS REVIEW.

A. The Question Is Exceptionally Important.

1. The divided panel held in this case—over Judge Newman's dissent—that 35 U.S.C. 314(d) precludes judicial review of the Board's decision to institute an IPR proceeding, even if the Board acts on a ground expressly barred by the AIA. The Government does not dispute that another divided panel of the Federal Circuit has reached the opposite conclusion. In *Versata Development, Group, Inc.* v. *SAP America, Inc.*, 793 F.3d 1306 (2015), the panel majority—over Judge Hughes' partial dissent—construed a parallel provision, 35 U.S.C. 324(e), to permit judicial review of the Board's decision to institute transitional post-grant review, also known as "covered business method" or

"CBM" patent review. Br. 21. The Federal Circuit recently failed to reconcile the conflict in *SightSound Techs., LLC* v. *Apple Inc.*, 2015 WL 8770164 (Dec. 15, 2015).

The Government urged the Federal Circuit to hear *Versata* en banc, because whether that court can review claims that the Board exceeded its statutory authority has "serious consequences for the PTO and parties in the new AIA review proceedings." PTO Petition for Rehearing En Banc at 4 (PTO Reh'g Pet.), *Versata*, *supra*. The Government takes a different view before this Court of the need for further review, but not because the Federal Circuit has achieved any level of doctrinal coherence. In *Achates Reference Publishing, Inc.* v. *Apple Inc.*, 803 F.3d 652 (2015), a panel of the Federal Circuit "limited" its holding in *Versata* to CBM patent review. The Government correctly does not argue that there is any basis in the AIA's text for permitting judicial review of the Board's decisions to institute CBM proceedings, but not its decisions to institute IPR proceedings. As the Government acknowledges, the language of the relevant statutory provisions is "materially identical." Br. 21.

Rather, the Government anticipates that, in the wake of *Achates*, the Federal Circuit will not permit judicial review of decisions to institute post-grant review, which is the third type of administrative patent proceeding established by the AIA. See Pet. 19-20. The Government is thus content with its expected two-thirds of a loaf, and is willing to endure almost five years of judicial review in the CBM context until the program sunsets in September 2020. Of course, the Government cannot resist hedging its bets: if the

Federal Circuit permits judicial review of post-grant institution decisions, "this Court's review may be appropriate to protect the integrity of AIA post-issuance-review proceedings." Br. 22. One-third of a loaf will not be enough.

2. This Court's review should not turn on whether the Federal Circuit's conflicting decisions happen to cut more in favor of the PTO and the Board than patent holders. As the Government told the Federal Circuit in its rehearing petition in *Versata*, the "clear conflict" between *Versata* and this case "casts a long shadow of uncertainty over the scope of [the Federal Circuit's review], leaving both private parties and the PTO at a loss to predict what questions the [Federal Circuit] will agree to decide." PTO Reh'g Pet. at 2, 5; see *id.* at 14-15 (explaining that the conflict "casts a pall of uncertainty over all of the new AIA proceedings"). What the Government said less than four months ago remains true now: whether the Board's institution decisions are reviewable is a "question of tremendous prospective importance" that will affect "countless future appeals." *Id.* at 5 & n.1.

B. The Board May Not Act Unlawfully In Instituting IPR Without Any Judicial Oversight.

1. The Government incorrectly argues (Br. 17-21) that even if the Board institutes an IPR proceeding on grounds barred by the AIA, the Board's unlawful action is unreviewable. To the contrary, Section 314(d) works in tandem with Sections 141(c), 318(a), 319: the former prevents interlocutory review of the Board's institution decisions, while the latter permit review of the Board's final decisions without limitation. The Government's various attempts to resist that common-sense conclusion are not persuasive.

a. The Government says that Section 314(d) is unnecessary to prevent interlocutory review, because "background principles of administrative law" only permit review of final agency action. Br. 18. But as the Federal Circuit has held, Section 314(d) bars mandamus review of the Board's decision to institute an IPR proceeding—a function that the Government does not address. See Pet. App. 6a (joint dissent); *In re Procter & Gamble Co.*, 749 F.3d 1376, 1379 (Fed. Cir. 2014) (denying a mandamus petition seeking interlocutory review of the Board's decision to institute IPR).

b. The Government contends that barring all review of the Board's institution decisions "furthers the purposes of the AIA" by "avoiding the waste and expense" of "relitigating threshold questions" that "do not bear on the proper scope of the patentee's exclusive rights." Br. 20-21. But the "threshold question[]" is whether the Board has the statutory authority to adjudicate "the proper scope of the patentee's exclusive rights" in the first place. Far from undermining the AIA's purposes, permitting review is the only way to ensure that the Board's scrutiny of an issued patent actually complies with the AIA's requirements. It is the panel majority's decision in this case that undercuts the AIA by giving the Board a "blank check" to "rewrite its statutory authority." NYIPLA Amicus Br. 9.[2]

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[2] Contrary to the Government's assertion (Br. 20 n.6), petitioner's position would not allow review of decisions declining to institute IPR, because there is no final written decision from the Board in such cases.

2. The Government notably says nothing about the "strong presumption" favoring review of agency action. *Mach Mining, LLC* v. *EEOC*, 135 S. Ct. 1645, 1651 (2015); see *Bowen* v. *Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986). The Government cannot pick and choose only the "background principles of administrative law" that it likes. Br. 18. Because Section 314(d) can be read to bar only interlocutory appeals, it should be read that way.

* * * * *

For the foregoing reasons and those stated in the petition for a writ of certiorari, the petition should be granted.

Respectfully submitted.

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IN THE

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE
Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

STATEMENT OF INTEREST 1

INTRODUCTION 2

REASONS FOR GRANTING THE PETITION 3

I. Claim Construction Is An Issue Of Exceptional Importance 3

II. The Claim Construction Standard Applied by the Office Effectively Negates the Statutory Presumption of Validity Afforded to Issued Patents 7

III. The Same Claim Construction Standard Should Apply for Purposes of Infringement and Validity Determination 10

IV The Opportunity To File A Motion to Amend Claims in a Post-Grant Proceeding Does Not Support Application of the Broadest-Reasonable-Interpretation Standard 11

CONCLUSION 13

TABLE OF AUTHORITIES

Pages (s)

CASES

Athletic Alternatives, Inc. v. Prince Mfg., Inc.,
73 F.3d 1573 (Fed. Cir. 1996) 8

CME v. Fifth Market,
CBM2013-00027, Paper 38, Mar. 23, 2015
(rehearing order after
Final Written Decision) 12

Fresenius USA, Inc. v. Baxter Int'l, Inc.,
582 F.3d 1288 (Fed. Cir. 2009) 5

Fresenius USA, Inc. v. Baxter Int'l, Inc.,
721 F.3d 1330 (Fed. Cir. 2013) 5

Google, Inc. v. Whitserve LLC,
IPR2013-00249, Paper 32,
Sept. 9, 2014 7

In re Baxter Int'l, Inc.,
678 F.3d 1357 (Fed. Cir. 2012) 5

In re Cuozzo Speed Technologies, LLC,
793 F.3d 1297 (Fed.Cir.2015) 3

In re Cuozzo Speed Technologies, LLC,
793 F.3d 1268 (Fed. Cir. 2015) 3

In re Etter,
756 F.2d 852 (Fed. Cir. 1985) 8

In re Prater,
415 F.2d 1393 (CCPA 1969) 11

International Flavors & Fragrances Inc. v. U.S. Department of Agriculture,
IPR2013-00124, Paper 12, May 20, 2014 12

Klein v. Russell,
86 U.S. (19 Wall.) 433 (1874) 7

Liebel-Flarsheim Co. v. Medrad, Inc.,
358 F.3d 898 (Fed. Cir. 2004) 7, 8

Markman v. Westview Instruments, Inc.,
52 F.3d 967 (Fed.Cir.1995) (en banc)
aff'd 517 U.S. 370 (1996) ..... *passim*

Microsoft Corp. v. i4i Limited Partnership,
131 S.Ct. 2238 (2011) 9

Phillips v. AWH Corporation,
415 F.3d 1303 (Fed. Cir. 2005)(en banc).... *passim*

Reg. Synthetic v. Nestle Oil,
IPR2014-00192, Paper 48, June 5, 2015 12

Riverbed Technology, Inc. v. Silver Peak Systems, Inc.,
IPR2013-00402 and 403, Paper 33,
Dec.30,2014 12

Turrill v. Michigan, S. & N.I.R.R.,
68 U.S. (1 Wall.) 491, 510 (1864) 7

VirtualAgility Inc. v. Salesforce.com, Inc.,
759 F.3d 1307 (Fed. Cir. 2014) 6

STATUTES AND RULES

35 U.S.C. §282 ..... 3, 7, 9, 10

35 U.S.C. §316 11

S. Ct. R. 37.2(a) 1

S. Ct. R. 37.6 1

LEGISLATIVE AND ADMINISTRATIVE MATERIALS

H.R. Rep. No. 66-1307, (1980) 8

H.R. Rep. No. 112–98 pt. 1 (2011) 9

Pub.L. No. 112-29, 125 Stat. 284 (2011) 6

REGULATIONS

M.P.E.P § 2111.01 (9th ed. Rev., Mar. 2014) 4

OTHER AUTHORITIES

Gene Quinn, Industry Insiders Reflect on
the Biggest Moments of 2013,

IPWatchdog (Nov. 4, 2015, 9:09 PM) 9

STATEMENT OF INTEREST

The American Intellectual Property Law Association (AIPLA) is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private or corporate practice, in government service, and in the academic community.[1] AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.[2]

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[1] In accordance with Supreme Court Rule 37.6, amicus curiae states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the amicus curiae and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[2] In accordance with Supreme Court Rule 37.2(a), AIPLA gave counsel of record for both parties in this case notice of its intent to file this amicus brief more than 10 days before the filing

INTRODUCTION

AIPLA urges this Court to grant the petition for certiorari to address the proper standard for patent claim construction to be used by the United States Patent and Trademark Office Patent Trial and Appeal Board ("Board" or "PTAB") in post-grant trial proceeding under the Leahy-Smith America Invents Act (AIA).[3]

Post-AIA, issued patents are subject to simultaneous review by the U.S. Patent and Trademark Office ("Office") in post-grant trial proceedings and in federal courts in traditional infringement litigation. In each of these types of proceedings, the proper construction (or scope) of the patent claims must be determined before a determination can be made whether the patent was properly granted. As it currently stands, the Office, in a post-grant proceeding, applies a different, broader standard for determining the proper construction of the patent claims at issue than is applied in district court. That different standard gives rise to the possibility of inconsistent results. The Office might determine, for example, that a patent claim, broadly construed, is unpatentable over the prior art, while a district court, applying a narrower claim construction stand-

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deadline, and both parties consented to the filing. The Petitioner has filed a blanket consent with the Court, and the government consented by letter, filed with this brief.

[3] AIPLA takes no position at this time on the second question presented in the Petition regarding whether the Federal Circuit, in an appeal of a final PTAB decision, may review allegations that the PTAB exceeded its authority in its decision to institute proceedings.

ard, might determine that the claim is not invalid over the same prior art.

Because of the possibility of inconsistent results on the very same patent, the issue of the proper claim construction standard to be used in post-grant trial proceedings is an issue of exceptional importance that merits this Court attention.

Furthermore, the issue is of exceptional importance because the Office's adoption of its broadest-reasonable-construction standard effectively negates the presumption of validity otherwise afforded issued patents under 35 U.S.C. § 282(a). As such, the Office has thwarted clear Congressional intent of Congress that post-grant trial proceedings under the AIA be an inexpensive alternative to testing patent validity in district court.

REASONS FOR GRANTING THE PETITION

I. Claim Construction Is An Issue Of Exceptional Importance

The Federal Circuit panel in this case affirmed a PTAB decision that the challenged patent claims are not patentable, doing so over the vigorous dissent of Circuit Judge Newman.[4] The patent owner's petition for rehearing *en banc* Federal Circuit was denied in a *per curiam* decision with five judges dissenting from the denial in two dissenting opinions.[5]

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[4] *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 1283 (Fed. Cir. 2015) (Newman, J, dissenting).

[5] *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1297 (Fed. Cir. 2015).

The issue that so sharply divided the *en banc* Federal Circuit is raised in the first question presented by Petitioner, namely has the Office correctly adopted the "broadest reasonable interpretation" standard for claim construction in AIA trials (*see* 37 C.F.R. §42.100(b)), rather than the "ordinary and customary meaning to a person of skill in the art" standard used in district courts (hereinafter referred to as the "*Phillips/Markman* standard").[6]

While those standards, as articulated, sound similar, they are applied very differently in practice. Under the broadest-reasonable-interpretation standard, the Office is unconstrained, for example, by statements made by the patent applicant during prosecution of the patent application.[7] Under the *Phillips/Markman* standard, a district court must consider statements made by the applicant during prosecution.[8]

The practical and meaningful difference between these standards was recognized by the U.S. Court of Appeals for the Federal Circuit in *Fresenius USA, Inc. v. Baxter International, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013). In that case, the Federal Circuit consid-

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[6] *See Phillips v. AWH Corporation*, 415 F.3d 1303, 1312-1313 (Fed. Cir. 2005) (*en banc*), and *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed.Cir.1995) (*en banc*), aff'd 517 U.S. 370 (1996).

[7] M.P.E.P. § 2111.01 (9th ed. Rev. 11, Mar. 2014)(noting that "Although claims of issued patents are interpreted in light of the specification, prosecution history, prior art, and other claims, this is not the mode of claim interpretation to be applied during examination.").

[8] *Phillips* at 1317; *Markman*, 52 F.3d at 980.

ered a patent that it had previously considered twice before in litigation between the same parties. The first time the Federal Circuit considered it, the patent was on appeal from a district court conclusion that invalidity was not proved. The second time the Federal Circuit considered the patent, it was on appeal from an Office decision in a reexamination proceeding that the same claims were unpatentable. In both cases, the Federal Circuit affirmed.[9] In the third appeal, which again related to the infringement suit, the Federal Circuit accepted the patent owner's argument that the different claim construction standards applied in the two cases previously before it.[10] In that appeal, the Federal Circuit relied on its previous decision in the reexamination appeal to conclude that the patent was invalid.[11] Such flip-flopping of judgment, made possible in no small part by the different claim construction standards applicable in the different fora, is inefficient and leads to uncertainty in the patent system.[12]

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[9] *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1304 (Fed. Cir. 2009), and *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1366 (Fed. Cir. 2012).

[10] *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1365 (Fed. Cir. 2012).

[11] *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1344 (Fed. Cir. 2013).

[12] Gene Quinn, *Industry Insiders Reflect on the Biggest Moments of 2013*, IPWatchdog (Nov. 4, 2015, 9:09 PM), http://www.ipwatchdog.com/2013/12/31/industry-insiders-reflect-on-the-biggest-moments-of-2013/id=46866 ("The ability to collaterally attack an outstanding damage verdict of a district court with a parallel patentability proceeding of the USPTO sent shockwaves through the patent litigation ranks").

The potential for inconsistent results abound because of the different claim construction standards applied by the Office and the courts. The simplest example is where a defendant in a district court infringement suit takes advantage of the new opportunity to challenge the asserted patent in a post-grant proceeding before the Office. Under the AIA, the district court is not obligated to stay the district court action pending the post-grant proceeding.[13] Thus, the Office and the district court might simultaneously consider whether the asserted patent properly issued. The Office might, under the broadest-reasonable-interpretation standard, determine that the patent claim is unpatentable over the prior art, while the district court might determine that the same claim cannot be invalidated because its narrow construction under *Phillips/Markman* avoids the same prior art.

Likewise, inconsistent results are possible where the same patent is asserted against two different defendants. One defendant might litigate the validity of the patent in district court, foregoing the opportunity offered by the AIA to challenge the patent at the Office, while the other defendant might petition the Office for a post-grant review under the AIA. Again, two different results are possible on the very same patent because of the alternative fora for litigating the issue.

In order to avoid the harm and confusion of such inconsistency, AIPLA submits that the Office should

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[13] America Invents Act of 2011 § 18(b)(1), Pub. L. No. 112-29, 125 Stat. 284, 331 (2011); *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1309 (Fed. Cir. 2014).

be required to apply the same claim construction standard in post-grant proceedings before the Office as is applied by district courts under *Phillips/ Markman*.

II. The Claim Construction Standard Applied by the Office Effectively Negates the Statutory Presumption of Validity Afforded to Issued Patents

United States patents enjoy a statutory presumption of validity. 35 U.S.C. § 282(a). And this Court has long recognized the judicial practice of construing patent claims, if possible, to preserve their validity.[14] Likewise, the Federal Circuit has repeatedly recognized that patent claims should be construed to preserve their validity.[15]

Despite the fact that such statutory presumption of validity should apply equally to patents that are subject to post-grant proceedings before the Office, the Office does not apply it. *Google, Inc. v. Whitserve LLC*, IPR2013-00249, Paper 32, September 9, 2014, pp. 21-22. Indeed, the Office relies on its application of the differing broadest-reasonable-interpretation standard to support its conclusion that the presumption does not apply to post-grant proceedings:

> Under the district court standard, however, considerations such as preservation of validity or the notice function of claims may lead to the

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[14] *See Klein v. Russell*, 86 U.S. (19 Wall.) 433, 466 (1874); *Turrill v. Michigan*, S. & N.I.R.R., 68 U.S. (1 Wall.) 491, 510 (1864).

[15] *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 911 (Fed. Cir. 2004).

> adoption of the narrower of two equally plausible constructions. *See Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 911 (Fed. Cir. 2004); *Athletic Alternatives, Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1581 (Fed. Cir. 1996).... Our claim construction standard, however, does not take factors such as the preservation of validity into account.

Id. at 21-22.

But the Office's rationale in support of its adoption of the broadest-reasonable-interpretation standard does not apply in the context of post-grant proceedings. In particular, in support of its position that the broadest-reasonable-interpretation standard should apply in post-grant proceedings, the Office relies on decisions in appeals of reexamination proceedings, and those decision in turn rely on legislative history evidence showing that Congress intended that procedure to re-do the initial examination.[16]

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[16] Reexamination "will permit any party to petition the patent office to review the efficacy of a patent, following its issuance, on the basis of new information about pre-existing technology which may have *escaped review at the time of the initial examination* of the application." H.R. Rep. No. 66-1307(1980), 3-4, (emphasis added); *see also In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) ("In a very real sense, the intent underlying reexamination is to 'start over' in the PTO with respect to the limited examination areas involved, and *re* examine the claims, and *to examine* new or amended claims, as they would have been considered if they had been originally examined in light of all of the prior art of record in the reexamination proceeding.") (Emphasis in original.)

By contrast, Congress made clear (and the Office has acknowledged) that AIA trials are not repeats of the initial examination. Unlike the legislative history for reexaminations, Congress has characterized AIA trials as adjudications of issued patents, not examinations of patent applications (which the Office has also acknowledged).[17] As adjudications of issued patents, the long-standing rule of construing patent claims, if possible, to preserve their validity should apply. The *Phillips/Markman* claim construction standard effectuates that rule; the broadest-reasonable-interpretation standard does not.

This Court's recent decision in *Microsoft Corp. v. i4i Limited Partnership*, 131 S.Ct. 2238 (2011), is instructive. In that case, this Court held that the statutory presumption of validity under section 282 "encompassed not only an allocation of the burden of proof but also an imposition of a heightened standard of proof." For similar reasons, that Section 282 should be construed to impart a substantive requirement to construe patent claims, if possible, to preserve their validity.

The Office claim construction standard expressed in 37 C.F.R. §42.100(b) effectively ignores the statutory presumption of validity for issued patents. Nothing in the legislative history of the AIA or the modest amendments to Section 282(a)

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[17] "The Act converts *inter partes* reexamination from an examinational to an adjudicative proceeding, and renames the proceeding '*inter partes* review.' " H.R. Rep. No. 112-98, pt. 1, at 46 (2011).

changed the presumption of validity applicable to issued patents.[18]

III. The Same Claim Construction Standard Should Apply for Purposes of Infringement and Validity Determinations

Another problem with the Office's standard for construing claims in post-grant proceedings is that it gives rise to different standards being applied to the same patent for validity and infringement determinations. Specifically, where an accused infringer chooses the Office as a forum for challenging the validity of the patent in a post-grant proceeding, the Office will apply the broadest-reasonable-interpretation standard in determining whether the patent is invalid (or unpatentable), but the district court will apply the *Phillips/Markman* standard in determining infringement.

The application of such differing standards for purposes of infringement and validity is inconsistent with long-standing decisions of this Court and the Federal Circuit.

IV The Opportunity To File A Motion to Amend Claims in a Post-Grant Proceeding Does Not Support Application of the Broadest-Reasonable-Interpretation Standard

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[18] Section 20(g) of the AIA, entitled "Technical Amendments," in relevant part, merely added to Section 282 a letter and topical label to the paragraphs of the statute to create "(a)—In General." In addition, a sentence in that first paragraph concerning nonobviousness under Section 103(b)(1) was also deleted. *See* Section 20(g) of AIA, entitled "Technical Amendments."

A principal justification offered by the Patent and Trademark Office and by the majority below for adopting the broadest-reasonable-interpretation standard is that, during an AIA trial, the patent owner has an opportunity to amend its patent. Yet, the opportunity to amend is severely restricted by the AIA itself. Specifically, 35 U.S.C. § 316(a)(9) provides only that the patent owner may "move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims."

Though Section 316(a)(9) directs the Office to provide a vehicle for amending a patent during a PTAB trial, it does not guarantee that a patent owner may actually amend. Rather, it guarantees only that the patent owner may file a motion to amend the patent by cancelling claims and substituting others. Nothing in either the AIA or in the implementing regulations provides a guarantee that such a motion will be granted. Thus, there is no guaranteed right to amend during an AIA trial.

Furthermore, even if a patent owner's motion to amend is granted, there is no opportunity for freely amending in an iterative fashion, as there is in original prosecution, *ex parte* reexamination, *inter partes* reexamination, or reissue prosecution. Indeed, conducting such an examination during the post-grant trial is the very impracticality of *inter partes* reexamination eliminated by the AIA. There is therefore no opportunity "for clarifying the metes and bounds of an invention during the back–and–forth between the applicant and examiner when claims are not yet in their final form" (*In re Prater*, 415 F.2d 1393, 1405 (CCPA 1969)), such that the application of the

broadest reasonable interpretation standard could be justified.

Not only is a patent owner's opportunity to amend conditional, but in the more than two years of experience with post grant trials, motions to amend have been granted so infrequently—fewer than 10 times—as to make the opportunity to amend essentially illusory.[19] Here again, a fundamental premise of the panel majority's position finds no support in the language of the AIA or in its application by the agency. For this additional reason, the AIA provides no basis for the adoption of a claim interpretation standard other than that uniformly applied by district courts under *Phillips/Markman*.

CONCLUSION

Congress intended to make a fresh start when it created post-grant validity trials as a cornerstone of the AIA. Yet by incorporating the broadest-reasonable-interpretation standard into its implementing regulations, the Office has instead spawned a hybrid of the new and the old, creating potential for inconsistency between Office and district court validity determinations. This Court should grant the Petition to resolve any potential for inconsistency and restore certainty of patent rights.

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[19] The few reported Final Written Decisions authorizing motions to amend include *International Flavors & Fragrances Inc. v. U.S. Department of Agriculture*, IPR2013-00124, Paper 12, May 20, 2014; *Reg. Synthetic v. Nestle Oil*, IPR2014-00192, Paper 48, June 5, 2015; *Riverbed Technology, Inc. v. Silver Peak Systems, Inc.*, IPR2013-00402 and 403, Paper 33, Dec. 30, 2014; and *CME v. Fifth Market*, CBM2013-00027, Paper 38, Mar. 23, 2015 (rehearing order after Final Written Decision).

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IN THE

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Supreme Court, U.S.
FILED
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OFFICE OF THE CLERK

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY AS REGARDS THE FIRST QUESTION PRESENTED, WITH NO POSITION AS TO THE SECOND QUESTION PRESENTED

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TABLE OF CONTENTS

	Page
TABLE OF CONTENTS.	i
TABLE OF CITED AUTHORITIES	iii
I. STATEMENT OF INTEREST OF *AMICUS CURIAE*	1
II. SUMMARY OF ARGUMENT	2
III. ARGUMENT.	3
A. The Broadest Reasonable Interpretation Standard Causes Inconsistent Interpretation Of Patent Claims Depending On Whether The Claim Is Adjudicated By The PTO Or By The Federal District Courts	3
1. History And Purpose Of Broadest Reasonable Interpretation ("BRI") Standard at the PTO	3
2. The Alternative Standard Applied In U.S. District Court Litigation.	6
3. Instances Where The Two Different Standards Of Review Had Dramatically Different Results As To The Same Patent	7

Table of Contents

Page

B. Congress Did Not Implicitly Approve The Broadest Reasonable Interpretation Standard In Enacting The America Invents Act (AIA) .14

1. AIA Provisions . .14

2. The PTO's Cited Authority Does Not Confer Authority For BRI. . .14

3. The PTO's Limited Amendment Practice In IPR Post-Grant Proceedings Is Not Consistent With BRI's Use In General PTO Examination Proceedings .16

C. The PTO Does Not Have The Authority To Enact Regulations Setting Forth The Standard By Which Claims Will Be Construed In Post-Grant Proceedings. .18

1. No Deference Should Be Given To The PTO For The BRI Rule Under The *Chevron* Doctrine .18

2. The BRI Standard Is A Substantive Rule With Substantive Effect And The PTO Should Not Be Granted *Chevron* Deference To Implement This Rule In Inter Partes Review .22

CONCLUSION .23

TABLE OF CITED AUTHORITIES

CASES	Page
Adams Fruit Co. v. Barrett, 494 U.S. 638 (1990).	.22
Animal Legal Defense Fund v. Quigg, 932 F.2d 920 (Fed. Cir. 1991) . .	.19
Ariosa Diagnostics v. Isis Innovation, 2014 WL 4381564 (P.T.A.B. 2014).	.16
Athletic Alternatives, Inc. v. Prince Mfg., Inc., 73 F.3d 1573 (Fed. Cir. 1996)	.21
Blonder-Tongue Labs., Inc. v. Univ. of Illinois Foundation, 402 U.S. 313 (1971).	.11
Cardinal Chem. Co. v. Morton Int'l, 508 U.S. 83 (1993).	.11, 12
Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837 (1984).	*passim*
Chimie v. PPG Indus., Inc., 402 F.3d 1371 (Fed. Cir. 2005)	.6-7
Chrysler Corp. v. Brown, 441 U.S. 281 (1979).	.19

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	Page
Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722 (2002).	.3
Fresenius USA, Inc. v. Baxter Int'l, Inc., 2012 WL 761712 (N.D. Cal. 2012). .	.8
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Fresenius USA, Inc. v. Baxter Int'l, Inc., 582 F.3d 1288 (Fed. Cir. 2009)	.8, 9
Google, Inc. v. Whitserve LLC, 2014 WL 4537504 (P.T.A.B. 2012)	.21
Idle Free Systems, Inc. v. Bergstrom, Inc., 2013 WL 5947697 (P.T.A.B. 2013).	.16
In re Baxter, 678 F.3d 1357 (Fed. Cir. 2012).	.8, 9
In re Buszard, 504 F.3d 1364 (Fed. Cir. 2007)	.5
In re Cuozzo Speed Technologies, 2014 WL 2738339 (Fed. Cir. 2014)	14-15, 16, 18
In re Cuozzo Speed Techs., 793 F.3d 1297 (Fed. Cir. 2015)	..14

Cited Authorities

	Page
In re Prater, 415 F.2d 1393 (C.C.P.A. 1969)	.5
In re Reuter, 670 F.2d 1015 (C.C.P.A. 1981)	.4
In re Yamamoto, 740 F.2d 1569 (Fed. Cir. 1984).	.5, 12
In re Zletz, 893 F.2d 319 (Fed. Cir. 1989)	.5
Liebel-Flarsheim Co. v. Medrad, Inc., 358 F.3d 898 (Fed. Cir. 2004)	.21
Liquid Dynamics Corp. v. Vaughan Co., Inc., 355 F.3d 1361 (Fed. Cir. 2004)	.7
Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996)	.11, 12, 18
McClain v. Ortmayer, 141 U.S. 419 (1891)	.3
Merck & Co. v. Kessler, 80 F.3d 1543 (Fed. Cir. 1996)	.20
Microsoft v. i4i, 131 S. Ct. 2238 (2011).	.21

Cited Authorities

	Page
Morton v. Ruiz, 415 U.S. 199 (1974)	.19
Nautilus, Inc. v. Biosig Instruments, Inc., 134 S. Ct. 2120 (2014).	.7
Phillips v. AWH Corp., 415 F.3d 1303 (Fed. Cir. 2005)	.6
SAP America v. Versata Development Group, 107 U.S.P.Q.2d 1097 (P.T.A.B. 2013).	.3
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Stevens v. Tamai, 366 F.3d 1325 (Fed. Cir. 2004)	.18
Tafas v. Doll, 559 F.3d 1345 (Fed. Cir. 2009)	.19, 20
Teva Pharm. USA, Inc. v. Sandoz, Inc., 135 S. Ct. 831 (2015).	.13
United Carbon Co. v. Binney & Smith Co., 317 U.S. 228 (1942)	.4
Versata Software, Inc. v. SAP America, Inc., 717 F.3d 1255 (Fed. Cir. 2013).	.10, 11, 12

Cited Authorities

	Page
Vitronics Corp. v. Conceptronic, Inc., 90 F.3d 1576 (Fed. Cir. 1996)	.6
Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co., 520 U.S. 17 (1997)	7, 20

STATUTES AND OTHER AUTHORITIES

5 U.S.C. § 706(2)(A)	.22
5 U.S.C. § 706(2)(C)	.22
35 U.S.C. § 120.	.20
35 U.S.C. § 282.	.21
35 U.S.C. §§ 311-319	.14
35 U.S.C. § 311(b).	.16
35 U.S.C. § 314(a).	.15
35 U.S.C. § 316.	.15
35 U.S.C. § 316(a)(11).	.17
35 U.S.C. § 316(a)(4).	.15
35 U.S.C. § 316(a)(5)	.15

Cited Authorities

	Page
35 U.S.C. § 316(a)(9).	.15
35 U.S.C. § 316(d).	.17
35 U.S.C. § 316(d)(1).	.5
35 U.S.C. § 316(d)(2)	.15, 17
35 U.S.C. § 316(d)(3)	.6, 17
35 U.S.C. § 316(e).	.15
35 U.S.C. § 324(a).	.15
35 U.S.C. § 326(a)(4)	.15
35 U.S.C. § 326(a)(5)	.15
35 U.S.C. § 326(a)(9)	.15
35 U.S.C. § 326(d)	.15
35 U.S.C. § 326(d)(2)	.17
35 U.S.C. § 326(e).	.15
37 C.F.R. § 1.121	.4
37 C.F.R. § 42.20(c)	.16

Cited Authorities

	Page
37 C.F.R. § 42.100(b)	.4
37 C.F.R. § 42.121	.16
37 C.F.R. § 42.121(a)(3)	.6, 17
2011 U.S.C.C.A.N. 67	.14
H.R.Rep. No. 112–98, pt. 1.	. .14
IPR 2013-00249, Paper 32, September 9, 2014	. .21
Leahy-Smith America Invents Act, Pub. L. 112-29, § 6, 125 Stat. 284 (2011).	.2, 14
M.P.E.P. § 714.	.4
M.P.E.P. § 2111.	.4
Office Patent Trial Practice Guide, 77 F.R. 48756-57 (August 14, 2012)	.4, 17, 18
Patent Act § 2(b)(2)(A)	.18
Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for its Money: Challenging Patents at the PTAB*, 91 NOTRE DAME L. REV. 235 (2015)	.13

I. STATEMENT OF INTEREST OF *AMICUS CURIAE*

The Association of the Bar of the City of New York ("Association"), through its Committee on Patents, submits this amicus curiae brief in response to the Court's January 15, 2016 Order granting Cuozzo Speed Technologies, LLC's ("Cuozzo" or "Petitioner")'s petition for certiorari and setting forth the questions presented above. The Association files this brief in accordance with Rule 37 of this Court, and supports the position of neither party. The parties to the appeal have consented to the filing of this amicus brief.[1]

The Association is a private, non-profit organization of more than 24,000 members who are professionally involved in a broad range of law-related activities. Founded in 1870, the Association is one of the oldest bar associations in the United States. The Association seeks to promote reform in the law and to improve the administration of justice at the local, state, federal and international levels through its more than 150 standing and special committees. The Committee on Patents ("Patents Committee") is a long-established standing committee of the Association, and its membership reflects a wide range of corporate, private practice and academic experience in patent law. The participating members of the Committee are dedicated

1. No party's counsel authored this brief in whole or in part. No party or party's counsel or no person – other than the amicus curiae, its members, or its counsel – contributed money that was intended to fund the preparation or submission of this brief. Further, Petitioner consented by blanket consent to the filing of this amicus curiae brief and Respondent's written consent is being filed herewith.

to promoting the Association's objective of improving the administration of the patent laws.

II. SUMMARY OF ARGUMENT

The U.S. Patent and Trademark Office ("PTO") instituted *Inter Partes* Review (IPR) proceedings before the Patent Trial and Appeal Board ("PTAB") to adjudicate the validity of prior-issued U.S. patents in conformance with the provisions of the America Invents Act (AIA). Leahy-Smith America Invents Act, Pub. L. 112-29, § 6, 125 Stat. 284 (2011). Unlike existing procedures for adjudicating patent validity in federal district courts, which apply the plain and ordinary meaning to claim terms during claim construction, the PTO applies the broadest reasonable interpretation (BRI) approach for construing the claim language of a challenged patent. This use of different standards by federal district courts on the one hand, and the PTO on the other, has proved to be problematic and has resulted in documented cases of conflicting interpretations of the same patent claims, depending on whether these claims are before a federal court or before the PTO.

The AIA did not explicitly approve, or expressly direct, the application of the BRI standard for construing patent claims in post-grant proceedings. Accordingly, the PTO should not be granted *Chevron* deference to implement BRI in the IPR post-grant proceedings. In view of the differing standards for patent claim construction of an issued patent and the lack of evidence demonstrating the legislature's intent to implement different standards, the Court should find that the PTO and the federal courts should apply the same standard to construe and interpret

patent claims to give certainty to patent applicants and patent owners as well as the public on the limits of patent protection.

III. ARGUMENT

A. The Broadest Reasonable Interpretation Standard Causes Inconsistent Interpretation Of Patent Claims Depending On Whether The Claim Is Adjudicated By The PTO Or By The Federal District Courts

1. History And Purpose Of Broadest Reasonable Interpretation ("BRI") Standard at the PTO

The paramount issue in resolving patent disputes and defining patent rights is the determination of the scope of patent claims. Clarity in claim scope is of the utmost importance because the claims set forth all to which the patentee is entitled while apprising the public of what is still open to them. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730 (2002); *see also McClain v. Ortmayer*, 141 U.S. 419, 424 (1891); *see also SAP America v. Versata Development Group*, 107 U.S.P.Q.2d 1097, 1105 (P.T.A.B. 2013).

When patent applications are initially examined, the Examiners at the PTO afford the proposed claim language of a given patent application the "broadest reasonable interpretation" (hereinafter, "BRI"). This BRI standard is the PTO's approach for determining the scope and breadth of pending patent claims during patent prosecution (i.e., before patents have issued).

This standard ascribes to proposed patent claims "the broadest reasonable interpretation consistent with the specification," but does not utilize other intrinsic evidence, including the prosecution history, or other evidence extrinsic to the application. Manual of Patent Examining Procedure ("M.P.E.P.") § 2111. The PTO also uses BRI in most reissue, *ex parte*, and *inter partes* reexamination proceedings, and post-grant proceedings under the AIA, such as the IPR proceeding at issue here. By applying a BRI standard during IPR post-grant proceedings, the PTO treats previously granted patents in the same manner as pending applications. *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A. 1981) (reissue proceedings); 37 C.F.R. § 42.100(b); Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48766 (Aug. 14, 2012).

The BRI standard is appropriate in the patent prosecution context because it aids the definition of claim scope by casting a wide net in order to capture as much prior art as is necessary to determine whether to grant the patent. During patent prosecution, unlike in post-grant patent review, the claims of pending patent applications may be liberally amended by the applicant, and amendments may also be entered in conjunction with the applicant by the Examiner through an Examiner's amendment. 37 C.F.R. 1.121; Manual of Patent Examining Procedure (M.P.E.P.) § 714.

At this early stage of the patent application process, the PTO liberally allows amendments to claim language, even if that amendment were to have the effect of broadening a claim's scope. *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 234 (1942). The PTO admits broad claim construction under BRI during the examination process

because a narrow claim interpretation (rather than BRI) may not capture prior art that would be implicated were the applicant to amend its claims through a broadening amendment. Throughout the patent prosecution process, the patent applicant enjoys a robust right to amend claim language "to reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified." *In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969).

The Federal Circuit has long agreed that the use of the BRI standard and the applicant's robust right to amend claims of a pending patent application go hand in hand. The court has reasoned that, because the applicant has the ability to make amendments to correct claim language or adjust the scope of claim protection as needed, the BRI approach serves both the public interest and the applicant's interest since applicants are not foreclosed from obtaining coverage for their invention with express claim language. *In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984). The PTO examiner and the applicant, in the give and take of the examination and amendment process, "work toward defining the meets and bounds of the invention to be patented." *In re Buszard*, 504 F.3d 1364, 1366–67 (Fed. Cir. 2007) (citing *In re Zletz*, 893 F.2d 319, 321-22 (Fed. Cir. 1989)).

In comparison, during IPR post-grant proceedings before the Patent Trial and Appeal Board ("PTAB"), which occurs after a patent has been granted by the PTO, the patent holder has only a very limited opportunity to amend granted claims—specifically the AIA limits a post-grant patent holder to only a single opportunity to amend claim language during an IPR proceeding. 35 U.S.C. § 316(d)

(1); 37 C.F.R. § 42.121(a)(3). The AIA further specifies that a patent holder may only amend claim language with the permission of the PTO, and only after an exceptional showing that the amendment overcomes all prior art of record. *Id.* The AIA also bars a patent holder from filing an amendment to broaden a patent claim during an IPR post-grant proceeding. 35 U.S.C. § 316(d)(3).

2. The Alternative Standard Applied In U.S. District Court Litigation

In contrast to the BRI standard applied by the PTO during patent examination and post-grant proceedings under the AIA, the federal district courts apply a standard for claim construction that gives claim language its "ordinary and customary" meaning and construes the meaning of a claim term to be "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc). To determine the "ordinary and customary" meaning of a disputed claim term, federal courts begin with intrinsic evidence: the claims, specification, and prosecution history. *Id.* at 1313-14. Intrinsic evidence is critical because it "constitute[s] the public record of the patentee's claim, a record on which the public is entitled to rely." *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996). The specification "is the single best guide to the meaning of a disputed term." *Phillips*, 415 F.3d at 1315.

The "ordinary and customary" standard for construing claim language stems from a court's requirement to "assign a fixed, unambiguous, legally operative meaning to the claim." *Chimie v. PPG Indus., Inc.*, 402 F.3d

1371, 1377 (Fed. Cir. 2005) (citing *Liquid Dynamics Corp. v. Vaughan Co., Inc.*, 355 F.3d 1361, 1367 (Fed. Cir. 2004)). This requirement to define a fixed zone of patent protection must be made through the objective test of the claim language itself, the language of the supporting disclosure, the prosecution history, and the intrinsic evidence; not through the broadest reasonable interpretation. This Court has explicitly recognized "the role of claims in defining an invention and providing public notice," *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 33 (1997), and, to that end, federal district courts apply an objective claim construction standard that is, practically, more narrow than the BRI standard employed at the USPTO. Indeed, this Court has recently affirmed that "a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention. *Nautilus, Inc. v. Biosig Instruments, Inc*, 134 S. Ct. 2120, 2124 (2014).

3. Instances Where The Two Different Standards Of Review Had Dramatically Different Results As To The Same Patent

Given the differing standards of claim construction—on the one hand, "BRI" used by the PTO during the patent examination and post-grant proceedings under the AIA and, on the other hand, the "ordinary and customary" meaning used by the federal district courts—the same patent claim may have two or more different meanings depending on the tribunal in which the claim is being reviewed.

In *Fresenius USA v. Baxter Int'l*, the Federal Circuit reviewed the same claims twice, once on appeal from the district court, and once on appeal from the PTO, each time with divergent outcomes. In the first instance, the claims were appealed from a district court where they were interpreted under the "ordinary and customary" meaning standard and, under this standard, the court on appeal affirmed the validity of the patent claims. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1302 (Fed. Cir. 2009). The court held that the claim language, "means for delivering the dialysate to a dialysate compartment of hemodialyzer," interpreted by its ordinary meaning, was not shown in the structure corresponding to the means-plus-function claims of the prior art. *Id.* at 1299. The Federal Circuit reviewed the lower court's claim construction *de novo* and found the disputed claims valid over all prior art of record. *Id.* at 1302. On remand, the district court then granted the patentee $9.305 million in patent infringement damages. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 2012 WL 761712, at * 16 (N.D. Cal. 2012).

In the second instance, the Federal Circuit again reviewed the same patent and identical claim language, only this time on appeal from a PTO reexamination procedure. The Federal Circuit again reviewed the claim language *de novo* and this time upheld the PTO's determination made under a BRI standard that the very same claims were unpatentable and invalid as obvious over the prior art. *In re Baxter*, 678 F.3d 1357, 1365-66 (Fed. Cir. 2012). The Federal Circuit affirmed the PTO Examiner's finding in reexamination, under the BRI standard, that the claim limitation "means for delivering the dialysate" was obvious and invalid in view of new prior art of record, prior art that was notably absent from the record when the

court reviewed the district court claim construction under the "ordinary and customary" standard. *Id.* at 1364. As a practical matter, the fact that certain prior art references were captured under the BRI standard (which were absent before the district court) is directly attributable to the broader claim construction standard employed by the PTO during the reexamination proceedings, in contrast to the narrower claim construction employed before federal district courts. *Compare In re Baxter*, 678 F.3d at 1366 (applying M.P.E.P. § 2111 Claim Interpretation; Broadest Reasonable Interpretation) *with Fresenius USA, Inc.*, 582 F.3d at 1302 (reviewing a district court's construction of disputed claim language under the "ordinary and customary meaning" standard).

Finally, after the Federal Circuit upheld the PTO's invalidation of Baxter's patent—the very same patent that the Federal Circuit had earlier upheld—an appeal from the district court's damages award reached the Federal Circuit, which then vacated the damages award. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1347 (Fed. Cir. 2013). Judge Newman dissented, stating in part:

> The loser in this tactical game of commercial advantage and expensive harassment is the innovator and the public, for it is now notorious that any invention of commercial value is ripe for not only protracted litigation but consecutive reexamination until the patent falls, or the patent or the patentee expires. The stability that is the foundation of the rule of law is lost, along with the patent-supported incentive to create and produce new things to public benefit

Id. at 1354 (Newman, J, dissenting).

Similarly, in *Versata Software, Inc. v. SAP America, Inc.*, the Federal Circuit and the PTO reviewed identical patent claims and, again, reached divergent results after applying different standards for claim construction. In *Versata Software*, the parties maintained competing claim interpretations for the claim term "pricing adjustment." *Versata Software, Inc. v. SAP America, Inc.*, 717 F.3d 1255, 1263 (Fed. Cir. 2013). In the first instance, the Federal Circuit affirmed the lower court's claim construction, which interpreted the "ordinary and customary" meaning of the term "pricing adjustment" to be "a denormalized number that may affect the determined price." *Id.* at 1263. The court then upheld the lower court's holding that the disputed patent claims, interpreted under the "ordinary and customary" meaning standard, were valid and infringed, meriting a large damages award. *Id.* at 1263-64.

In the second instance, the accused infringer initiated a petition for a Covered Business Method (CBM) post-grant review proceeding under the AIA to challenge the validity of the same claim language, only this time using the PTO's post-grant review proceedings before PTAB. The PTAB construed the same patent claims, including the term "pricing adjustment," under the BRI standard for claim construction to determine whether the claims were patent-eligible and otherwise valid over the prior art. *SAP America, Inc. v. Versata, Inc.*, 2014 WL 1252847, at * 6 (P.T.A.B. 2014). Under the BRI standard, the PTAB construed the same claim term "pricing adjustment" to mean "a price modification that is *not* limited to denormalized numbers." *Id.* (emphasis added). In view of this opposite claim construction, PTAB held that the disputed claims were more likely than not invalid and unpatentable in view of the prior art. *Id.* at

*15. Thus, the different claim construction standards used by PTAB ("broadest reasonable interpretation" or "BRI") and the federal district courts ("ordinary and customary meaning") led to opposite claim interpretations and, ultimately, divergent rulings.

Under these different standards of review, the claims of a single patent in litigation may be given one interpretation before the PTO and an entirely different interpretation in district court litigation and on appeal. Such divergent outcomes undermine the principle of uniformity in patent law and the foundation of validity of patent rights. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390-91 (1996) (citing *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Foundation*, 402 U.S. 313 (1971)). The differing standards also create inefficiencies in resolving patent disputes that are critical for technology development and commercial investment. *Cardinal Chem. Co. v. Morton Int'l*, 508 U.S. 83, 100-102 (1993). For example, a patent owner who files suit to prevent infringement in a district court—where claims are often interpreted during a *Markman* hearing, *see Markman*, 517 U.S. at 371—may, under the AIA, have that case stayed pending the result of the PTO's IPR post-grant proceeding. The interpretation and construction of the claim terms in the *Markman* hearing under the "ordinary and customary" meaning standard may be different from (or even—as in *Fresenius* and *Versata Software*—contradictory to) the construction of the same claims by the PTAB under its BRI standard.

Notably, in *Versata Software*, the district court's claim construction was issued four years prior to the Federal Circuit's decision affirming that construction and validating the patent, and then the PTO's claim

construction resulted in an opposite ruling a year later. Such protracted proceedings and seemingly haphazard results underscore the essential problem of using different standards of review in IPR proceedings before the PTAB versus post-grant appeal proceedings in federal court and, plainly, leads to an inefficient use of judicial resources. *See Versata Software, Inc. v. SAP America, Inc.*, Memorandum Opinion and Order, Case 2:07-cv-00153-CE, Doc. 203, filed 5/19/09 (E.D. Tex. 2009); 717 F.3d 1255, 1263 (Fed. Cir. 2013); and *SAP America, Inc. v. Versata, Inc.*, 2014 WL 1252847, at * 6 (P.T.A.B. 2014). Instead, uniformity in the standard of review for post-grant patent claims and the application of principles of estoppel and *stare decisis* as between multiple claim construction rulings by and between the various tribunals would support judicial efficiency. *See Markman*, 517 U.S. at 391. Conversely, the differing claim construction standards currently employed by the PTAB and federal district courts with respect to post-grant patent claims not only undermine the stated goal of uniformity in patent law, *Id.* but also the finality of judgments with respect to particular post-grant patent claims, *Cardinal Chem. Co.*, 508 U.S. at 100-102, as well as the Patent Act's statutory presumption that all patents granted by the PTO are valid as against potential infringers and the public. *In re Yamamoto*, 740 F.2d at 1570-72.

In order to prevent the confusion of divergent holdings and interpretations of the same claim language, the PTO during IPR proceedings and the district courts should use the same claim construction standard. As one commentator notes:

> [T]he use of two standards, one for the court and one for the PTAB, creates considerable inefficiency. If both tribunals used the same rule, the PTAB could dispense with claim construction in any case in which the district court had already interpreted claims. Conversely, construction by the technologically sophisticated experts at the PTAB would provide a wealth of information to district courts later considering the same or related claims.

Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for its Money: Challenging Patents at the PTAB*, 91 NOTRE DAME L. REV. 235, 269 (2015). The commentator also predicts that "[t]he incidence of these problems would [...] be minimized if the courts and PTAB used the same approach to claim construction, for they would then more often reach the same conclusion on validity." *Id.* at 283.

Regardless of which claim construction standard this Court deems should apply to the case at bar, this Court should take the opportunity to unify the standard for construing post-grant patent claims. Such a determination would result in greater uniformity and finality in patent law litigation, and also would eliminate a significant source of judicial and administrative inefficiency. *See, e.g., Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 839 (2015) (recognizing that "attorneys will no doubt bring cases construing the same claim to the attention of the trial judge; those prior cases will sometimes be binding because of issue preclusion ... and sometimes it will serve as persuasive authority").

B. Congress Did Not Implicitly Approve The Broadest Reasonable Interpretation Standard In Enacting The America Invents Act (AIA)

1. AIA Provisions

One goal of the AIA was to establish a streamlined surrogate tribunal within the PTO for determining patent validity that would conduct adjudicative proceedings in a court-like proceeding. H.R.Rep. No. 112–98, pt. 1, at 68, 2011 U.S.C.C.A.N. 67, 92. The AIA specifically provides for the Inter Partes Review post-grant proceeding, including the substantive provisions for reviewing an issued patent and the procedural adjudication of the patent in view of prior art. Leahy-Smith America Invents Act, Pub. L. 112-29, § 6, 125 Stat. 284 (2011); 35 U.S.C. §§ 311-319. However, there is no basis in either the statutory language of the AIA or the legislative history to support the PTO's promulgation of the BRI standard for IPR post-grant proceedings before the PTAB. As stated by Chief Judge Prost writing for the dissent below, the AIA is silent both in its statutory provisions and background on the standard of review for patent claims. *In re Cuozzo Speed Techs.*, 793 F.3d 1297, 1300 (Fed. Cir. 2015) (Prost, J., dissenting).

2. The PTO's Cited Authority Does Not Confer Authority For BRI

The PTO asserts that Congress has provided it with expanded rulemaking authority, including the power to rule that, in Inter Partes Review proceedings, "a claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." Brief for Intervenor, *In re Cuozzo Speed*

Technologies, 2014 WL 2738339, at * 40 (Fed. Cir. 2014). However, the statutory provision of the AIA pertaining to the Conduct of *Inter Partes* Review that the PTO relies on as authority for the BRI standard, 35 U.S.C. § 316, does not convey substantive rulemaking authority to the PTO, nor does it impose the BRI standard of claim interpretation. 35 U.S.C § 316, *et seq.* including sections 316(a)(4) and 316(a)(9).

Instead, this section provides that the PTO may promulgate *procedural* regulations "establishing and governing" IPR and Post-Grant Review (PGR) and the relationship of these AIA post-grant proceedings to other proceedings or forms or review under the Patent Act. *Id.*; 35 U.S.C. § 326(a)(4). The statute does not authorize the PTO to promulgate *substantive* rules for construing claims of issued patents that directly affect the rights of individual patent holders. Rather, the AIA's statutory delegation of rulemaking authority to the PTO is confined to procedural rules, such as procedures used by the PTAB to decide whether to institute a review as well as procedures for discovery and motions. There is no statutory language that provides authority for substantive rule making pertaining to claim construction. *See, e.g.*, 35 U.S.C. §§ 314(a), 316(a)(5), (d)(2), (e), 324(a), 326(a)(5), (a)(9), (d), (e). Accordingly, this Court should recognize that the AIA does not delegate authority to the PTO for promulgating binding substantive rules, particularly with respect to the standard of construing patent claims in IPR post-grant proceedings.

3. The PTO's Limited Amendment Practice In IPR Post-Grant Proceedings Is Not Consistent With BRI's Use In General PTO Examination Proceedings

The PTO asserts that "the BRI standard serves the same important functions in the Inter Partes Review context that it does in other PTO proceedings, and for the same fundamental reasons: the statute contemplates the possibility of claim amendments to clarify the scope of the patent owner's exclusive rights." Brief for Intervenor, *In re Cuozzo Speed Technologies*, 2014 WL 2738339, at *43 (Fed. Cir. 2014).

However, contrary to this assertion, during IPR proceedings, the PTAB does not readily permit amendments because the Board reviewing these proceedings does not review prosecution issues such as new matter or the applicability of prior art to newly amended claims. 35 U.S.C. § 311(b), 37 C.F.R. § 42.121; *Ariosa Diagnostics v. Isis Innovation*, 2014 WL 4381564, at * 31-32 (P.T.A.B. 2014). In bringing a motion to amend claims, a patent owner, as the moving party, bears the burden to show entitlement to the relief requested. 37 C.F.R. § 42.20(c). To be granted the right to amend claim language during an IPR proceeding, the patent owner has a high burden to show a patentable distinction of each proposed substitute claim over the prior art. 37 C.F.R. § 42.20(c); *Idle Free Systems, Inc. v. Bergstrom, Inc.*, 2013 WL 5947697, at * 4 (P.T.A.B. 2013). Thus, the right to amend claims during a post-grant proceeding under the AIA is far more limited than the robust right to amend claim language enjoyed by a patent applicant during the examination process.

Under the AIA provisions, Congress did not give the patentee in post-issuance proceedings the same liberal right to amend its patent claims that the applicant has during examination and reexamination. 35 U.S.C. § 316(d). Rather, the patent owner is restricted to one—and only one—opportunity to file a motion to amend a patent, and only after conferring with PTAB to cancel each challenged claim or to propose "a reasonable number of substitute claims" for each challenged claim. 37 C.F.R. § 42.121(a)(3). The presumption (which may be rebutted by demonstration of need) is that only one substitute claim would be needed to replace each challenged claim. 37 C.F.R. 42.121(a)(3). Any additional motion to amend claims or present new claims is allowed only "upon the joint request of the third-party petitioner and the patent owner to materially advance the settlement of a proceeding." 35 U.S.C. §§ 316(d)(2), 326(d)(2). Notably, an amendment may never "enlarge the scope of the claims of the patent or introduce new matter." 35 U.S.C. § 316(d)(3).

A patent owner's right to amend is further curtailed by the expedited timeline mandated for post-grant AIA proceedings. Under the AIA provisions for IPR proceedings, the PTAB is required to issue a final decision "not later than 1 year" after the proceeding is instituted, with the possibility of a six-month extension for good cause. 35 U.S.C. § 316(a)(11). The PTO's Office Trial Practice Guide notes that this one year statutory period controls the schedule for an IPR proceeding, including the time for amendments. *Office Patent Trial Practice Guide*, 77 F.R. 48756-57 (August 14, 2012)). The PTO specifically provides that "for authorization to file a motion to amend sought later in the proceeding, a demonstration of good cause will be required.... [since] motions to amend filed

late in the proceeding may impair a petitioner's ability to mount a full response in time to meet the statutory deadline for the proceeding." *Office Patent Trial Practice Guide*, 77 Fed. Reg. at 48766 (August 14, 2012).

The PTO asserts that the BRI rule is "procedural" in that it prescribes a procedure for the PTAB to employ in applying the Patent Act to the claims and is "an examination expedient." *In re Cuozzo Speed Technologies, LLC*, 2014 WL 2738339, at * 45 (Fed. Cir. 2014) (Brief for Intervenor). However, this Court should find that the BRI standard is not a procedural rule but, rather, a substantive rule that affects the rights of patent holders by defining the construction of claim language which, in turn, defines the legal metes and bounds of post-grant patent claims. The rules of claim construction directly affect the rights of every patent owner as against both potential infringers and the public. *Markman*, 517 U.S. at 372; *Warner-Jenkinson Co.*, 520 U.S. at 33.

C. The PTO Does Not Have The Authority To Enact Regulations Setting Forth The Standard By Which Claims Will Be Construed In Post-Grant Proceedings

1. No Deference Should Be Given To The PTO For The BRI Rule Under The *Chevron* Doctrine

Section 2(b)(2)(A) of the Patent Act provides for PTO rulemaking and has been held to be the "broadest of the Office's rulemaking powers," powers which were limited to the promulgation of procedural rules. *Stevens v. Tamai*, 366 F.3d 1325, 1333 (Fed. Cir. 2004). The Federal Circuit

has held that this provision does "not vest the PTO with any general substantive rulemaking power." *Tafas v. Doll*, 559 F.3d 1345, 1352 (Fed. Cir. 2009). The Supreme Court has limited substantive rulemaking, as follows:

> In order for a regulation to have the "force and effect of law," it must have certain substantive characteristics and be the product of certain procedural requisites. The central distinction among agency regulations found in the [Administrative Procedure Act ("APA") is that between "substantive rules" on the one hand and "interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice" on the other. A "substantive rule" is not defined in the APA, and other authoritative sources essentially offer definitions by negative inference...we noted a characteristic inherent in the concept of a "substantive rule." We described a substantive rule—or a "legislative-type rule," *id.*, at 236, 94 S.Ct., at 1074—as one "affecting individual rights and obligations." *Id.*, at 232, 94 S.Ct., at 1073. This characteristic is an important touchstone for distinguishing those rules that may be "binding" or have the "force of law." *Id.*, at 235, 236, 94 S.Ct., at 1074.

Chrysler Corp. v. Brown, 441 U.S. 281, 301-03 (1979) (quoting *Morton* v. *Ruiz*, 415 U.S. 199, 232-36 (1974)).

Congress has delegated only procedural rulemaking authority to the PTO. *Animal Legal Defense Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991). The Federal

Circuit has reaffirmed this delegation of procedural authority and has held that *Chevron* deference shall be accorded to the PTO for rulemaking for interpretations of provisions of the Patent Act that relate to procedural matters. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549-51 (Fed. Cir. 1996); *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 863 (1984). However, when the PTO's rulemaking is inconsistent with specific provisions and protections of the Patent Act, the rules are invalid as exceeding the PTO's rulemaking authority. *Tafas*, 559 F.3d at 1349; *Merck*, 80 F.3d at 1543.

For example, in *Tafas v. Doll*, the Federal Circuit held that a rule promulgated by the PTO to limit an applicant's use of continuation patent applications was in conflict with a substantive provision of the Patent Act, 35 U.S.C. § 120, which unambiguously directed that continuation applications could not be so limited. *Id.* On this basis, the Federal Circuit struck down the PTO's rule in that case, and found that the PTO had exceeded its authority and was not entitled to *Chevron* deference for substantive rulemaking. *Tafas*, 559 F.3d at 1360.

Similarly, here, the PTO both promulgated and implemented a standard of claim construction during IPR proceedings before the PTAB that directly affects the substantive rights of a particular patent holder by dictating the scope of post-grant patent claims as against both alleged infringers and the public. *Warner-Jenkinson Co., Inc.*, 520 U.S. at 33. Given the absence of the traditionally robust right to amend claim language where a BRI standard applies to claim construction, this Court should find that the PTAB's continued use of the BRI standard during IPR proceedings is in conflict with

a specific and substantive provision of the Patent Act—namely, 35 U.S.C. § 282, which codifies the statutory presumption that all post-grant patent claims are valid, a presumption overcome only by "clear and convincing evidence." *Microsoft v. i4i*, 131 S. Ct. 2238, 2242 (2011).

The use of a BRI standard in IPR proceedings affords no presumption of validity and, therefore, contradicts 35 U.S.C. § 282. Indeed, the PTO has openly acknowledged that its standard of review in IPR proceedings disregards the presumption of a patent's validity. *See Google, Inc. v. Whitserve LLC*, 2014 WL 4537504, at * 12 (P.T.A.B. 2012); IPR2013-00249, Paper 32, September 9, 2014, p. 22 (claim construction standard of BRI "does not take factors such as the preservation of validity into account"). Moreover, the PTO admits that its BRI standard may lead to inconsistent results for the same patent claim if adjudicated in federal court: "[U]nder the district court standard, however, considerations such as preservation of validity or the notice function of claims may lead to the adoption of the narrower of two equally plausible constructions." *Id.* (citing *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 911 (Fed. Cir. 2004); *Athletic Alternatives, Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1581 (Fed. Cir. 1996)).

Thus, the PTO's application of the BRI claim construction standard in IPR post-grant proceedings is in conflict with a substantive provision of the Patent Act—namely, 35 U.S.C. § 282—and constitutes improper substantive rulemaking that is beyond the PTO's rulemaking authority.

2. The BRI Standard Is A Substantive Rule With Substantive Effect And The PTO Should Not Be Granted *Chevron* Deference To Implement This Rule In Inter Partes Review

The Board's conclusion that the BRI rule was promulgated within the PTO's rulemaking authority under the AIA is not entitled to deference under the *Chevron* doctrine. *See Adams Fruit Co. v. Barrett*, 494 U.S. 638, 649 (1990). The PTO's implementation of Inter Partes Review applies a claim construction standard that bears directly on a patentee's right to a patent. As demonstrated above, the BRI rule affects a patent holder's rights and expectations of patent validity and is, therefore, a substantive rule that exceeds the PTO's limited rulemaking authority. If Congress intended to give the PTO substantive rulemaking authority, it would be clearly and definitively delineated. This Court should set aside the Board's action under the Administrative Procedure Act as "not in accordance with law" or "in excess of statutory jurisdiction, authority, or limitations, or short of statutory right." 5 U.S.C. § 706 (2)(A)&(C).

CONCLUSION

For the reasons set forth above, the Court should find that, in an IPR proceeding, the PTO may not construe claims in an issued patent according to their broadest reasonable interpretation while the district courts construe claim terms according to their plain and ordinary meaning. The Court should find that the PTO, in an IPR post-grant proceeding, and the federal courts must use the same standard to construe and interpret patent claims to give certainty to patent applicants as well as the public on the limits of patent protection.

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CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF OF *AMICUS CURIAE* BIOTECHNOLOGY INDUSTRY ORGANIZATION SUPPORTING PETITIONER

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TABLE OF CONTENTS

Page

INTEREST OF THE *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 3

ARGUMENT 5

A. The Patent Trial And Appeal Board's Use Of A Fundamentally Incorrect Standard Of Claim Construction Is A Basic And Foundational Error That Requires This Court's Immediate Review. 5

1. The Choice Of Claim-Construction Standard Can Determine Whether A Patent Claim Is Held Invalid. 6

2. The Broadest-Reasonable-Interpretation Standard Is Incompatible With The Nature Of IPR Proceedings. 9

3. The Federal Circuit Accepted The PTO's Rationale Without Meaningfully Considering The Statutory Limits On The PTO's Authority 12

B. Judicial Review Of Decisions To Institute IPR Proceedings Is An Exceptionally Important Issue Because The Federal Circuit's Decision Will Render Unreviewable A Wide Range Of Outcome-Determinative Legal Questions That Are Part Of The Decision To Institute Proceedings. 16

CONCLUSION 22

TABLE OF AUTHORITIES

CASES: **Page**

Abbott Labs. v. Cordis Corp.,
710 F.3d 1318 (Fed. Cir. 2013) 16

Achates Reference Publ'g, Inc. v. Apple Inc.,
803 F.3d 652 (Fed. Cir. 2015) 18

Bowen v. Mich. Acad. of Family Physicians,
476 U.S. 667 (1986) 21

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487 F.3d 862 (Fed. Cir. 2007) 13

Chi. Mercantile Exch., Inc. v.
5th Market, Inc.,
No. CBM2013-00027
(PTAB Mar. 23, 2015) 11

Greenlaw v. United States,
128 S. Ct. 2559 (2008) 20

Idle Free Sys., Inc. v. Bergstrom, Inc.,
No. IPR2012-00027, 2013 WL 5947697
(PTAB June 11, 2013) 11

In re Swanson,
540 F.3d 1368 (Fed. Cir. 2008) 7, 8

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Litig.,
778 F.3d 1255 (Fed. Cir. 2015) 7

In re Zletz,
893 F.2d 319 (Fed. Cir. 1989) 9

Int'l Flavors and Fragrances, Inc. v. U.S. Dep't of Agric.,
No. IPR2013-00124, 2014 WL 2120542
(PTAB May 20, 2014) 11, 12

Phillips v. *AWH Corp.*,
415 F.3d 1303 (Fed. Cir. 2005) 6

Reg. Synthetic Fuels LLC v. Neste Oil OYJ,
No. IPR2014-00192, 2015 WL 3609359
(PTAB June 5, 2015) 11

Riverbed Tech., Inc. v. Silver Peak Sys., Inc.,
Nos. IPR2013-00402, IPR2013-00403,
2014 WL 7405745, 2014 WL 7405746
(PTAB Dec. 30, 2014) 11

SEC v. Chenery Corp.,
318 U.S. 80 (1943) 15

Versata Dev. Grp., Inc. v. SAP Am., Inc.,
793 F.3d 1306 (Fed. Cir. 2015) 19

Zimmer Holdings, Inc. v. Bonutti Skeletal Innovations LLC,
No. IPR2014-00191, 2015 WL 2268207
(PTAB May 12, 2015) 8

Statutes

35 U.S.C. § 102 8

35 U.S.C. § 103 9

35 U.S.C. § 141(c) 17

35 U.S.C. § 301(a)(2) 15

35 U.S.C. § 301(d) 15

35 U.S.C. § 311(b) 19, 20

35 U.S.C. § 311(c) 18

35 U.S.C. § 312(a)(2) 19

35 U.S.C. § 312(a)(3)(A) 19

35 U.S.C. § 314(a) 20

35 U.S.C. § 314(d) 17

35 U.S.C. § 315(e) 18

35 U.S.C. § 316(a)(4) 14

35 U.S.C. § 316(d)(3) 11

35 U.S.C. § 318(a) 13

35 U.S.C. § 319 17

35 U.S.C. § 321(c) 18

35 U.S.C. § 322(a)(2) 19

35 U.S.C. § 324(e) 18

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Leahy-Smith America Invents Act,
Pub. L. No. 112-29, § 18(a),
125 Stat. 284, 330 (2011) 18

Other Authorities

37 C.F.R. § 1.501 15

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80 Fed. Reg. 50,720 (Aug. 20, 2015) 11

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92 Tex. L. Rev. 1769 (2014) 9

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http://www.postgranthq.com/statistics/ipr-breakdown-of-unpatentability-findings-in-final-decisions-relative-to-claims-challenged/ (last visited Nov. 3, 2015) 8, 9

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INTEREST OF THE *AMICUS CURIAE*[1]

The Biotechnology Industry Organization ("BIO") is the principal trade association representing the biotechnology industry domestically and abroad. BIO has more than 1,100 members, which span the for-profit and non-profit sectors and range from small startup companies and biotechnology centers to research universities and Fortune 500 companies. Approximately 90% of BIO's corporate members are small or mid-size businesses that have annual revenues of under $25 million.

Because modern biotechnological products commonly involve lengthy, expensive, and resource-intensive development periods, BIO's members depend heavily on a strong, stable, and nationally uniform system of patent rights and protections. Without the promise of effective patent rights, these investments would be far more difficult—if not impossible—to undertake. Many BIO members devote years of effort and many millions of dollars to developing an innovation protected by a single patent, leaving BIO members especially vulnerable to misapplication of the standards that lead to patent invalidation.

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[1] All parties have consented to the filing of this brief. Petitioner's consent is on file with the Clerk; respondent's written consent is submitted with this brief. BIO provided notice of its intent to file this brief on November 2, 2015. No counsel for a party authored any part of this brief, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, its members, or its counsel made a monetary contribution to the brief's preparation or submission.

This case concerns *inter partes* review (IPR) proceedings before the Patent Trial and Appeal Board (PTAB), which allow the PTAB to invalidate patents on certain grounds—even patents issued many years ago and upheld by the courts. Since Congress created IPRs in the Leahy-Smith America Invents Act (AIA), the PTAB has begun re-reviewing patents from every discipline, including biotechnology patents. The PTAB has liberally construed the limitations on its jurisdiction to permit it to institute IPRs even in doubtful cases. And at present, most patents that enter an IPR do not survive; current statistics show that a patent is systematically more likely to be found invalid by the PTAB compared to U.S. district courts. Likewise, the IPR proceeding invalidates patent claims at a higher rate than previous or alternative administrative patent challenge proceedings in the USPTO. Clearly, the PTAB is invalidating patents at an extraordinary rate.

The questions presented in this case affect two of the foundational legal conclusions that have allowed the PTAB, even in a relatively short time, to cut a remarkable swath through the ranks of issued patents with barely a light tap on the brakes by the Federal Circuit. First, the Federal Circuit has held that the Patent Trial and Appeal Board (PTAB) may invalidate patents by construing their claims in a way that would never be used in an infringement case in district court, and then finding that artificially broad interpretation too broad to be patentable. Second, the Federal Circuit has held that the PTAB may invalidate patents in an IPR without any court ever being permitted to review whether the PTAB has violated the procedural limitations on its cancellation authority that Congress wrote into the America Invents Act. BIO and its membership

have a substantial interest in the Court's resolution of those questions.

SUMMARY OF ARGUMENT

A. The "broadest reasonable interpretation" standard is one reason why the PTAB has been invalidating patents at an alarming pace. Under that standard, the PTAB can adopt a broad construction, one that no patentee could hope to enforce in a district-court infringement action—and then invalidate the patent because it reaches too broadly and runs into the prior art. That standard has no place in an IPR proceeding, and this Court should review it now before many more patents fall before the scythe.

The PTO's main justification for the standard has been that patent reexaminations use it; patent reexaminations allow the patentee to amend the claims to fix any problems, and the PTO has emphasized that in theory IPRs permit amendment as well. But the opportunity to amend is illusory: the statute limits the opportunity, and the PTO has choked it off through rulemaking and decisional law. Severed from the opportunity to amend, the broadest-reasonable-interpretations standard makes no sense—except as a way to invalidate patents.

Of course, Congress never gave the PTO any power to make up new ways to invalidate patents. But that dangerous authority is just what the Federal Circuit has now given the PTO: the decision below equates the PTO's power to write procedures for IPRs with the power to *change the outcome* of IPRs by choosing the claim-construction standard. That is license to the PTAB to begin ignoring this Court's interpretations of the Patent Act and using IPRs to rewrite patent law

more broadly. This Court should disapprove that reasoning immediately, before it harms the incentive to innovate any further.

B. The Federal Circuit's abdication of judicial review is a separate and independently sufficient ground for certiorari. The court of appeals held that it cannot review the PTAB's compliance with basic limitations on its authority. But those procedural limitations become all the more important in light of the substantive powers the PTAB now enjoys because of the Federal Circuit's answer to the first question presented. And those procedural limitations will be honored only in the breach if there is no judicial review.

This case involves one such limitation, but there are many others, including a statutory time limit on the filing of an IPR petition. The PTAB has already begun to construe those limitations in a generous way—generous to its own authority, that is. And litigants have no way to challenge the PTAB's interpretations, because even after a final judgment cancelling a patent, the Federal Circuit simply will not opine on whether the PTAB proceedings were *ultra vires* on various grounds spelled out in the statute.

The procedural limitation at issue in this case is just one of many that are implicated by the Federal Circuit's no-judicial-review holding, but it is an important one in its own right and makes this case a suitable vehicle. The PTAB is not supposed to make up its own grounds for instituting review; it is supposed to focus on grounds stated in the petition. But in this case, the PTAB mixed and matched, instituting an IPR on grounds different from the petition. That is exactly the kind of agency overreach

that is to be expected when the agency expects to operate without judicial oversight. This Court should act speedily to remind the agency that its actions can and will be reviewed by independent, life-tenured judges who do not work for the PTO.

ARGUMENT

A. The Patent Trial And Appeal Board's Use Of A Fundamentally Incorrect Standard Of Claim Construction Is A Basic And Foundational Error That Requires This Court's Immediate Review.

The "broadest reasonable interpretation" standard of claim construction is one key reason why proceeding before the PTAB instead of a district court can be outcome-determinative. Both the PTAB and the district courts can be tasked with answering the same fundamental question—is a patent invalid? Indeed, most IPRs occur while parallel litigation is pending in district court,[2] meaning that the same grounds for invalidating the same patent claims may be litigated by the same parties at the same time—in two different places. This case presents the question whether the Patent and Trademark Office (PTO) can configure IPRs so that, despite all those similarities, they produce a different answer than the district court will.

That question is surpassingly important and is ready for this Court's immediate review, for two key

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[2] One survey estimates that, as of June 30, 2015, 83.4% of IPR proceedings have concurrent litigation in district court. Fitzpatrick, Cella, Harper & Scinto, *Just the Stats: Percentage of IPRs With a Concurrent Litigation*, http://www.postgranthq.com/statistics/scatter-plot-of-claims-found-unpatentable-in-final-decisions-from-fchs-data/ (last visited Nov. 3, 2015).

reasons: First, when the PTO adopted this standard for IPRs, it already knew from experience that its choice would produce outcomes different from district courts—as to claim construction, and thus as to patent invalidation as well. There is no need for further empirical proof—but if there were, the PTAB's invalidation rate in IPRs amply provides it. And second, the fig-leaf justification for the choice of standard—that in theory a patentee can amend its patent during an IPR to fix a problematic claim construction identified by the tribunal, whereas it cannot do that in district court—is proving to be no justification at all, because the PTAB has resolutely refused to permit such amendments.

Thus, it is now abundantly clear that the PTO has consciously adopted a standard that allows it to issue patents that the courts would uphold—only later to strike down those same patents through a process that deprives the patentees of the chance to fix the supposed problem. No further developments are required to make that standard cert-worthy. More percolation will just mean more patent cancellations—more patents that, if this Court waits to take the issue, will already be beyond resurrection once the Court finally does review and reverse the Federal Circuit.

1. The Choice Of Claim-Construction Standard Can Determine Whether A Patent Claim Is Held Invalid.

At present, district courts and the PTAB each apply their own standard in determining what a patent claim says. District courts strive to give "the words of a claim their ordinary and customary meaning," *Phillips* v. *AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005), ultimately applying "the construction that stays

true to the claim language and most naturally aligns with the patent's description of the invention," *In re Papst Licensing Digital Camera Patent Litig.*, 778 F.3d 1255, 1261 (Fed. Cir. 2015) (citation, quotation marks, and internal modifications omitted). In contrast, the PTAB uses the "broadest reasonable construction" of a claim in IPR proceedings. 37 C.F.R. § 42.100(b). That is the standard developed for use in patent *examinations* and *re-examinations*, where an applicant that receives a rejection of an overly broad claim can narrow it and continue the examination process.

The PTAB's decision to use the broadest-reasonable-interpretation standard in IPR proceedings, which are not examinations but *adjudications*, is fundamentally unsound. It has already had significant consequences for patentees, as the PTAB's choice in claim-construction standard has resulted in unprecedented levels of claim invalidation.

The divergent standards can yield dramatically different results. *In re Swanson*, 540 F.3d 1368 (Fed. Cir. 2008), provides one anecdotal example from the reexamination context of how this is so. In *Swanson*, a jury made special findings disagreeing with a party's assertion that two claims of a patent were invalid. *See id.* at 1373. Having lost in district court, the challenging party requested reexamination of the patent before the PTO, raising "substantial new question[s] of patentability" that were, in fact, the same grounds raised in district court. *Id.* The examiner rejected the claims as invalid. *Id.* The Federal Circuit affirmed the PTO's decision, explaining that "the two forums take different approaches in determining validity and on the same evidence could

quite correctly come to different conclusions." *Id.* at 1377 (citation and internal quotation marks omitted).

That is already proving true in IPRs as well: the PTAB construes a term to give it the "broadest reasonable interpretation," even though the patentee seeks a narrower construction; then, having given the patentee more than it wants, the PTAB takes it all away, because the broadest reasonable interpretation is anticipated or obvious. *See, e.g.*, *Zimmer Holdings, Inc. v. Bonutti Skeletal Innovations LLC*, No. IPR2014-00191, 2015 WL 2268207, at *6-*7, *11 (PTAB May 12, 2015) (applying the "broadest reasonable construction" of a claim term, which excluded an element (rotation about a fixed or single axis) that the patentee contended should be included, and then finding the claim anticipated because it lacked that same element).

Anecdotes aside, the effects of the PTAB's aggressive approach already can be seen in the Board's short-lived history. As of June 30, 2015, 4,827 of 5,783 instituted claims (83.5%) had been declared unpatentable or canceled, while only 956 (16.5%) claims had been upheld.[3] Parties seeking to invalidate a claim under 35 U.S.C. § 102 succeeded 40.3% of the time in IPR proceedings,[4] compared to the 31.1% success rate parties enjoyed in comparable district

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[3] Fitzpatrick, Cella, Harper & Scinto, *Just the Stats: IPR: Survival Rate of Instituted Claims*, http://www.postgranthq.com/statistics/our-tech-breakdown-of-final-decisions-using-fchs-data/ (last visited Nov. 3, 2015).

[4] Fitzpatrick, Cella, Harper & Scinto, *Just the Stats: IPR: Breakdown of Unpatentability Findings in Final Decisions Relative to Claims Challenged*, http://www.postgranthq.com/statistics/ipr-breakdown-of-unpatentability-findings-in-final-decisions-relative-to-claims-challenged/ (last visited Nov. 3, 2015).

court cases between 2008 and 2009.[5] As for invalidation attempts brought under 35 U.S.C. § 103, challengers had a 59.8% success rate in IPR proceedings,[6] compared to 27.8% in district court.[7] Without the Court's intervention, the PTAB's harsh decisional standard will continue to wipe out patents on grounds that would be insufficient to support their invalidation in district court. To permit such application of disparate legal standards in different fora only serves to further undermine public confidence in the patent system. And nothing could be worse for investment in innovation. No rational business would be able to commit funding, time, and other resources to the development of innovative products when the patents protecting these innovations could be found valid or invalid depending on the forum in which they are challenged.

2. The Broadest-Reasonable-Interpretation Standard Is Incompatible With The Nature Of IPR Proceedings.

The broadest-reasonable-interpretation standard is traditionally used in patent examination, a fluid context in which pending claims "can be amended, ambiguities recognized, scope and breadth of language explored, and clarification imposed." *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989). Patent applicants can willingly accept a tradeoff of risk and

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[5] John R. Allison et al., *Understanding the Realities of Modern Patent Litigation*, 92 Tex. L. Rev. 1769, 1787 (2014).

[6] *See Breakdown of Unpatentability Findings*, *supra* note 4.

[7] *See* Allison, *supra* note 5, at 1787.

reward—the broader the construction, the broader the exclusivity, but also the greater the risk of anticipation or obviousness. By contrast, once there is no tradeoff—once the patent has expired and can no longer be amended—the PTAB no longer uses the broadest-reasonable-interpretation standard. Pet. App. 14a n.6.

When the broadest-reasonable-interpretation standard is used in IPR, just as when it is used in reexamining an expired patent, there is no tradeoff; the standard gives patent owners nothing. That is because the IPR setting is not like the fluid reexamination process, but instead is "cabined," as the Federal Circuit recognized. Pet. App. 83a. If a patentee manages to prevail in an IPR proceeding, the broad claim scope used by the PTAB will not be of any further benefit, because the PTAB does not rule on infringement and the PTAB's claim construction would have no application in an infringement proceeding in district court—not even a proceeding between the same parties. The only effect of the broader standard is to increase the chances that the patent will be found invalid, on the theory that (broadly construed) the prior art anticipates it or makes it obvious. Put differently, the dual standard works against a patent owner in both fora—the patentee must prove patent infringement under the district court's narrower, more particularized claim construction standard, while defending the patent's validity under the PTAB's more sweeping standard.

The PTAB and the splintered Federal Circuit have given only one rationale in defense of using the broadest-reasonable-interpretation standard in this context: the notion that the claim-amendment process in IPR proceedings, even though extremely limited, is

still a sufficient substitute for the fluidity of patent examination.[8] But as the PTAB itself has recognized, that is not true.[9] As the Federal Circuit acknowledged when it observed that the "opportunity to amend is cabined in the IPR setting," Pet. App. 83a, Congress and the PTAB have imposed significant limitations on when a motion to amend a claim may be filed.[10] And what the Federal Circuit failed to recognize in the decision below is that the PTAB has imposed an additional set of evidentiary burdens that make amendments in the IPR process largely impossible to obtain.[11] The statistics bear this out—of the 86 motions to amend filed in IPR proceedings as of June 30, 2015, *five* have been granted.[12] Of the 442 claims

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[8] *See* Pet. App. 83a ("Although the opportunity to amend is cabined in the IPR setting, it is thus nonetheless available."); Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50,720, 50,722 (Aug. 20, 2015) ("[T]he Office will continue to apply a broadest reasonable interpretation standard because at the time that a petition is filed in each of those scenarios, the patent owner's ability to amend remains available.").

[9] *See Idle Free Sys., Inc. v. Bergstrom, Inc.*, No. IPR2012-00027, 2013 WL 5947697, at *4 (PTAB June 11, 2013) ("An *inter partes* review is more adjudicatory than examinational, in nature. If a patent owner desires a complete remodeling of its claim structure according to a different strategy, it may do so in another type of proceeding before the Office. An *inter partes* review is neither a patent examination nor a patent reexamination.").

[10] *See* 35 U.S.C. § 316(d)(3); 37 C.F.R. § 42.221(a).

[11] *E.g., Idle Free*, 2013 WL 5947697, at *4-*5 (outlining the requirements of a motion to amend); *see also* 80 Fed. Reg. at 50,724 (listing five cases as PTAB decisions that provide "further guidance" on motions to amend).

[12] *See Reg Synthetic Fuels LLC v. Neste Oil OYJ*, No. IPR2014-00192, 2015 WL 3609359 (PTAB June 5, 2015); *Chi. Mercantile*

for which amendment was sought, the PTAB allowed amendment for just 27 claims.[13] And 19 of the 27 were amendments asserted by the Government and unopposed by the other party.[14] Moreover, these numbers do not account for the countless parties discouraged by the PTAB's impossibly high bar for amendment.

3. The Federal Circuit Accepted The PTO's Rationale Without Meaningfully Considering The Statutory Limits On The PTO's Authority

The Federal Circuit's two rationales for approving the broadest-reasonable-interpretation standard are unavailing. The first rationale treats Congress as having tightly restricted the PTAB, somehow *demanding* (through absolute silence) that it borrow an ill-fitting standard used in other, different proceedings. Contradictorily, the second rationale treats Congress as having given the PTAB unprecedented power—to

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Exch., Inc. v. 5th Market, Inc., No. CBM2013-00027 (PTAB Mar. 23, 2015); *Riverbed Tech., Inc. v. Silver Peak Sys., Inc.*, Nos. IPR2013-00402, IPR2013-00403, 2014 WL 7405745, 2014 WL 7405746 (PTAB Dec. 30, 2014); *Int'l Flavors and Fragrances, Inc. v. U.S. Dep't of Agric.*, No. IPR2013-00124, 2014 WL 2120542 (PTAB May 20, 2014); *see also* Fitzpatrick, Cella, Harper & Scinto, *Just the Stats: IPR: Decisions on Requests to Amend the Claims*, http://www.postgranthq.com/statistics/ipr-decisions-on-requests-to-amend-the-claims/ (last visited Nov. 3, 2015).

[13] Fitzpatrick, Cella, Harper & Scinto, *Just the Stats: IPR: Number of Claims Amended/Denied Amendment*, http://www.postgranthq.com/statistics/ipr-number-of-claims-amendeddenied-amendment/ (last visited Nov. 3, 2015).

[14] *Int'l Flavors and Fragrances, Inc. v. U.S. Dep't of Agric.*, No. IPR2013-00124, 2014 WL 2120542 (PTAB May 20, 2014).

make up new substantive patent law and not just procedure. The first one is erroneous; the second one is also truly dangerous, and heightens the need for this Court's review.

a. The first theory, that Congress silently compelled the PTAB to follow the broadest-reasonable-interpretation standard in IPRs (Pet. App. 15a-18a) makes no sense. Even if the broadest-reasonable-interpretation standard were the only standard the PTAB had ever used in reexaminations—and it is not—that would not mean that Congress by its silence directed the PTAB to apply that same standard in the newly fashioned IPR proceedings. IPRs are simply different. And the differences are salient: because of the stringent limitations on amending the patent in an IPR, those proceedings resemble not the proceedings the Federal Circuit cited, in which amendment is available, but to reexaminations *after expiration*, for which the PTAB had long applied the same standard used in district court. Pet. 25; Pet. App. 14a n.6.

b. The second theory would mark a truly remarkable shift in the power to write patent law. The Federal Circuit has long held that the PTO and its administrative tribunals have no substantive power over patent law. *Brand v. Miller*, 487 F.3d 862, 869 n.3 (Fed. Cir. 2007) ("[T]he [PTAB] does not earn Chevron deference on questions of substantive patent law."). Rather, Congress makes those policy judgments, in statutes interpreted by this Court. Consistent with that historic practice, the IPR statute likewise directs the PTAB to determine the "patentability" of particular claims, 35 U.S.C. § 318(a)—that is, to decide whether they comport with the patent law Congress wrote, not

to decide whether the PTAB thinks they should be patentable.

The Federal Circuit credited the incredible assertion that, in authorizing the PTO to promulgate regulations "establishing and governing inter partes review," 35 U.S.C. § 316(a)(4), Congress suddenly abdicated its power to decide what is patentable. The Federal Circuit said that the PTO now has power over anything that "affects" IPR proceedings, and decisions whether to institute them. Pet. App. 18a-19a.

That reasoning is surpassingly broad and is an independent ground for this Court's review. The Federal Circuit seemed to conclude that the PTO could make rules that make invalidation of a patent more likely—and that those rules are valid because they would "affect" the outcome of an IPR. Pet. App. 18a-19a. That circular logic could allow the PTO to rewrite the substantive law of obviousness or anticipation; why should the PTAB feel compelled to follow this Court's decisions interpreting those provisions of the Patent Act?

That outcome may seem clearly wrong, yet it is indistinguishable from what happened here. The Federal Circuit held that Congress gave the PTAB power to substantively reinterpret a patent; to do so in a way that causes the patent to become invalid; and to ignore even the settled judicial construction of that same patent.

In enacting a law designed to promote and protect innovation, Congress could not have intended to impose such a burden on patentees. Through various provisions of the America Invents Act, Congress signaled that it intended IPR proceedings as cost-and-

time-efficient alternatives to district court litigation, and not as a forum to relitigate previously settled questions. One such provision, revised 35 U.S.C. § 301(a)(2), applies this principle to claim construction. That provision allows the PTO to consider statements previously made by the patent owner in a patent office or district court proceeding for the purpose of "determin[ing] the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304 [*ex parte* reexamination], 314 [IPR], or 324 [post-grant review]." 35 U.S.C. § 301(d). By indicating that such statements should be treated on an equal footing whether they come from PTAB proceedings or district courts, Section 301(a)(2) cuts against the notion that different claim-construction standards should be applied in evaluating them.[15]

* * * * *

At bottom, the PTAB has no valid reason and no valid power to insist upon the broadest-reasonable-interpretation standard in construing claims during IPR proceedings. Allowing that issue to fester further will not create an opportunity for new reasons to emerge. *See SEC v. Chenery Corp.*, 318 U.S. 80 (1943) (agency decision cannot be sustained on grounds not advanced by the agency during the administrative proceedings). IPR proceedings are, like patent cases in district court, *adjudications*—opposing sides present their case to neutral arbiters, who decide no more than whether the parties have carried their burdens of proof and persuasion. That was the very rationale for IPR, which replaced a fundamentally different system of

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[15] Nothing in the PTO's regulations interpreting Section 301(a)(2) indicates a contrary interpretation. *See* 37 C.F.R. § 1.501.

inter partes reexamination, in which the patent examiner did not act as an arbiter.[16] Because of factors like the broadest-reasonable-interpretation standard, however, an IPR has become a very different sort of adjudication—one where an artificial and unrealistic claim construction can and does result in the cancellation of the patent. The Federal Circuit will not stop it. This Court should—and soon.

B. Judicial Review Of Decisions To Institute IPR Proceedings Is An Exceptionally Important Issue Because The Federal Circuit's Decision Will Render Unreviewable A Wide Range Of Outcome-Determinative Legal Questions That Are Part Of The Decision To Institute Proceedings.

Congress has placed several firm statutory limits on the PTAB's cancellation authority. But because getting a patent before the PTAB for an IPR so often results in the patent's cancellation, patent challengers have every incentive to bend the PTAB's gates as widely as possible. And the PTAB has been receptive to those arguments, instituting IPR proceedings even when there are substantial arguments that the statute bars it from doing so. Relying on an unreasonable interpretation of the AIA that is entitled to no deference, the PTAB believes it has unbridled authority over the fate of patents. Yet the Federal Circuit will never get the chance to pass on those

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[16] *See Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) ("The purpose of [IPR] was to 'convert[] inter partes reexamination from an examinational to an adjudicative proceeding.'").

important questions of reviewability, and will be forced to affirm PTAB invalidations that should have never occurred. That perverse result comes from the Federal Circuit's other holding in this case, that the PTAB's violation of statutory limitations on its power is judicially unreviewable. That holding, too, presents an important question that calls for this Court's speedy review.

Congress has limited the PTAB's power in a number of key ways. Yet the Federal Circuit's reasoning would abdicate review of all of these crucial determinations as well—allowing the PTAB to proceed without the check of judicial review. That result would, in all but name, neutralize the limitations on the PTAB that Congress wrote into the America Invents Act. The effective negation of several parts of the statute presents an important question in its own right. This Court should step in now, to ensure that the PTAB does not wholly slip its bounds.

1. The relevant statute, 35 U.S.C. § 314(d), states that "[t]he determination by the Director whether to institute an *inter partes* review shall be final and nonappealable." The Federal Circuit understood that statute to mean that *nothing* related to an IPR institution decision is reviewable, not even during the statutorily authorized appeal from the final written decision, *see* 35 U.S.C. §§ 141(c), 319. Pet. App. 7a.

That reasoning has tremendously broad significance for the administration of IPRs and similar PTAB proceedings. Under the IPR statute, several potentially outcome-determinative legal questions can be resolved in a decision to institute. The same is true under the similar statute authorizing the PTAB to conduct "post-grant reviews" (PGRs); decisions whether

to institute a PGR are made "final and nonappealable" under a statute materially identical to Section 314(d). *See* 35 U.S.C. § 324(e).[17]

Each of these legal questions reflects a statutory limit on the PTAB's power to invalidate patents. For instance, the petition seeking an IPR or a PGR must be filed within a particular time. *See* 35 U.S.C. §§ 311(c), 321(c). The statute gives the PTAB no power to excuse a late filing or to cancel a patent without a timely petition. Nor does the statute suggest that timeliness may only be addressed in a decision to institute. Yet the decision in this case has driven the Federal Circuit to abdicate review of timeliness decisions as well. Citing the decision below, the Federal Circuit held that the PTAB's determination as to the timeliness of a petition "does not impact the Board's authority to invalidate a patent claim" and is therefore "fairly characterized as part of the [unreviewable] decision to institute" *even if the timeliness issue is addressed in the final written decision. Achates Reference Publ'g, Inc. v. Apple Inc.*, 803 F.3d 652, 657–68 (Fed. Cir. 2015) (internal quotation marks omitted).

The statute contains a number of additional important procedural limitations, yet it appears that the decision in this case (and its application in *Achates*) would render them nonreviewable in the Federal Circuit as well. These include:

- Whether the challenge is barred by estoppel.[18] Again, there is no suggestion that

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[17] The PTAB also conducts "covered business method" reviews, the procedures for which are governed by the PGR statute. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1), 125 Stat. 284, 330 (2011).

the PTAB must decide this issue at the institution stage; the statute limits the petitioner's ability to "maintain" the proceeding or to "assert" particular invalidity arguments.

- Whether the petition identifies the real parties in interest,[19] an important requirement that is necessary to enforce the estoppel provision.
- Whether the IPR petition is based on "patents or printed publications,"[20] or instead on other prior art that does not qualify for an IPR.

Under the Federal Circuit's understanding of appellate jurisdiction (or lack thereof), it appears that none of these issues will ever be reviewed by a federal court.[21] This Court's review is necessary to allow the

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[18] 35 U.S.C. §§ 315(e), 325(e).

[19] 35 U.S.C. §§ 312(a)(2), 322(a)(2).

[20] 35 U.S.C. § 311(b); *id.* § 312(a)(3)(A).

[21] The Federal Circuit has held that it *can* review whether a patent is a covered business method eligible for review under the special procedure for such patents, *see supra* note 17. *See Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1320–21 (Fed. Cir. 2015) (distinguishing between unreviewable "determinations to initiate proceedings" and "limits on ultimate invalidation authority"). The government vigorously contested even that modest chink in its shield against judicial review, seeking rehearing en banc (which was denied). But any hope that *Versata* signaled new openness to judicial review was dashed when the Federal Circuit decided *Achates* a short time later, holding the PTAB's compliance with time limits judicially unreviewable.

process of interpreting these statutory requirements to begin.

2. Even if the jurisdictional question affected only the limitation at issue in this case—the requirement that the PTAB act only on the basis of grounds asserted in a petition—that limitation is an important one standing alone. Requiring the PTAB to act only on the basis of what is in the IPR petition ensures that the PTAB will not reach out to cancel patents on grounds of its own choosing—that it will only rule on contentions brought to it by the litigants. That may seem like a principle so basic it does not need stating. *Cf. Greenlaw v. United States*, 554 U.S. 237, 243 (2008) ("In our adversary system, in both civil and criminal cases, in the first instance and on appeal, we follow the principle of party presentation. That is, we rely on the parties to frame the issues for decision and assign to courts the role of neutral arbiter of matters the parties present."). But as this case illustrates, sometimes the PTAB will decide to institute an IPR on grounds that *no party has advanced*. *See* Pet. 6.

Section 314(a) states the PTAB "may not authorize" institution of IPR proceedings unless it makes a determination based on "information presented in the petition filed under section 311 and any response filed under section 313." The petition, in turn, is limited to (1) "requests to cancel as unpatentable 1 or more claims of a patent" (2) "on a ground that could be raised under section 102 or 103" and (3) on the "basis of prior art consisting of patents or printed publications." 35 U.S.C. § 311(b). The PTAB thus cannot simply institute an IPR to cancel a patent it thinks needs canceling.

Yet under the decision below, the PTAB can simply reach out and do just that, immune from judicial review. This Court should restore "the strong presumption that Congress intends judicial review" of important legal questions in administrative actions. *See Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986) (citation omitted).

* * * * *

The answer to the first question presented by the petition will inform the answer to the second. If the PTAB is allowed to apply the broadest-reasonable-interpretation standard, thereby maintaining a dichotomy where the choice of forum determines the outcome, the restrictions Congress placed on the PTAB's jurisdiction and authority to institute proceedings become all the more important. This Court should therefore consider both questions together.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

On Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF OF THE BIOTECHNOLOGY INNOVATION ORGANIZATION AND THE ASSOCIATION OF UNIVERSITY TECHNOLOGY MANAGERS AS *AMICI CURIAE* SUPPORTING PETITIONER

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TABLE OF CONTENTS

Page

INTEREST OF THE *AMICI CURIAE* 1

SUMMARY OF ARGUMENT 3

ARGUMENT 7

A. The PTAB's Unprecedented Use Of The Broadest-Reasonable-Interpretation Standard In IPRs Has No Basis In Patent Law. 7

1. The PTAB's Choice Of Claim Construction Standard Fails To Account For Elementary Distinctions Between IPR Proceedings And Other, More Traditional PTO Procedures, Such As Reexaminations. 10

2. The Federal Circuit Based Its Endorsement Of The PTAB's Erroneous Choice Of Claim Construction Standard On An Unrealistic Understanding Of How The PTAB Conducts Its Proceedings. 13

3. Congress Deliberately Chose Not To Give The PTO The Authority To Impose A New, Substantive Claim Construction Standard. 20

4. The PTO's Adoption Of The Broadest-Reasonable-Interpretation Standard Frustrates Congressional Intent

That PTAB And District Court Proceedings Operate As Alternatives..... 25

B. The Federal Circuit Abdicated Its Judicial-Review Responsibilities By Holding That The PTAB's Decisions To Institute Are Unreviewable, Leaving The PTAB With Unfettered Discretion To Disregard Congressional Commands..... 28

CONCLUSION..... 35

TABLE OF AUTHORITIES

CASES: Page

Abbott Labs. v. Cordis Corp.,
710 F.3d 1318 (Fed. Cir. 2013) 7

Achates Reference Publishing, Inc. v. Apple Inc.,
803 F.3d 652 (Fed. Cir. 2015) 32

Animal Legal Def. Fund v. Quigg,
932 F.2d 920 (Fed. Cir. 1991) 22

Baldwin Cnty. Welcome Ctr. v. Brown,
466 U.S. 147 (1984) 33

Biodex Corp. v. Loredan Biomedical, Inc.,
946 F.2d 850 (Fed. Cir. 1991) 21

Bloom Eng'g Co. v. N. Am. Mfg. Co.,
129 F.3d 1247 (Fed. Cir. 1997) 11

Bowen v. Mich. Acad. of Family Physicians,
476 U.S. 667 (1986) 30

Chi. Mercantile Exch., Inc. v. 5th Market, Inc.,
No. CBM2013-00027, Paper No. 38
(PTAB Mar. 23, 2015) 17

Compass Bank v. Maxim Integrated Products, Inc.,
No. CBM2015-00102,
2015 WL 5921097 (PTAB Oct. 7, 2015) 15

Denso Corp. v. Netlatch, LLC,
No. IPR2015-00473, 2015 WL 4467405
(PTAB July 15, 2015) 14

Direct Mktg. Ass'n v. Brohl,
135 S. Ct. 1124 (2015) 25

Entergy Corp. v. Riverkeeper, Inc.,
556 U.S. 208 (2009) 25

FEC v. NRA Political Victory Fund,
513 U.S. 88 (1994) 33

Fresenius USA, Inc. v. Baxter Int'l, Inc.,
582 F.3d 1288 (Fed. Cir. 2009) 12

Game Show Network, LLC v. Stephenson,
No. IPR2013-00289, Paper No. 31
(PTAB Mar. 21, 2014) 18

Gea Process Eng'g, Inc. v.
Steuben Foods, Inc.,
No. IPR2014-00043, Paper No. 35
(PTAB May 27, 2014) 18

Gould v. Control Laser Corp.,
705 F.2d 1340 (Fed. Cir. 1983) 12

Hewlett-Packard Co. v.
MCM Portfolio, LLC,
No. IPR2013-00217, Paper No. 8
(PTAB May 10, 2013) 18

Idle Free Sys., Inc. v. Bergstrom, Inc.,
No. IPR2012-00027, 2013 WL 5947697
(PTAB June 11, 2013) 16

Illumina Cambridge Ltd. v.
Intelligent Bio-Systems, Inc.,
--- F. App'x ----, 2016 WL 363498
(Fed. Cir. Jan. 29, 2016) 17

In re Etter,
756 F.2d 852 (Fed. Cir. 1985) 10

In re Rambus, Inc.,
753 F.3d 1253 (Fed. Cir. 2014) 14

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984) 14, 19

In re Zletz,
893 F.2d 319 (Fed. Cir. 1989) 11

Int'l Flavors & Fragrances, Inc. v. United States,
No. IPR2013-00124, 2014 WL 2120542
(PTAB May 20, 2014).....17, 18

Lazare Kaplan Int'l, Inc. v. Photoscribe Techs., Inc.,
714 F.3d 1289 (Fed. Cir. 2013) 21

Lindahl v. Office of Personnel Mgmt.,
470 U.S. 768 (1985)..... 30

McCormick Harvesting Mach. Co. v. C. Aultman & Co.,
169 U.S. 606 (1898)..... 22

Merck & Co. v. Kessler,
80 F.3d 1543 (Fed. Cir. 1996) 22

Microsoft Corp. v. Proxyconn, Inc.,
789 F.3d 1292 (Fed. Cir. 2015) 16, 17, 33

Nat'l Family Planning & Reproductive Health Ass'n, Inc. v. Sullivan,
979 F.2d 227 (D.C. Cir. 1992)..... 21

Nichia Corp. v. Emcore Corp.,
No. IPR2012-00005, 2014 WL 574596
(PTAB Feb. 11, 2014)..... 7

Patlex Corp. v. Mossinghoff,
758 F.2d 594 (Fed. Cir. 1985) 11

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005) 4, 8

Reg Synthetic Fuels LLC v. Neste Oil OYJ,
No. IPR2014-00192, 2015 WL 3609359
(PTAB June 5, 2015) 17

Riverbed Tech., Inc. v. Silver Peak Sys., Inc.,
Nos. IPR2013-00402, IPR2013-00403,
2014 WL 7405745, 2014 WL 7405746
(PTAB Dec. 30, 2014) 17

Synopsys, Inc. v. Mentor Graphics Corp.,
Nos. 2014-1516, 2014-1530,
2016 WL 520236
(Fed. Cir. Feb. 10, 2016) 32

Tafas v. Dudas,
541 F. Supp. 2d 805 (E.D. Va. 2008) 23

Tafas v. Doll,
586 F.3d 1369 (Fed. Cir. 2009) 23

United States ex rel. Steinmetz v. Allen,
22 App. D.C. 56 (D.C. Cir. 1903) 22

W.L. Gore & Assocs., Inc. v.
Lifeport Sciences LLC,
No. IPR2014-01319, 2015 WL 799478
(PTAB Feb. 23, 2015) 14

Statutes

35 U.S.C. § 141(c) 30

35 U.S.C. § 311(a) 13

35 U.S.C. § 311(b) 29

35 U.S.C. § 311(c) 29

35 U.S.C. § 312 29

35 U.S.C. § 312(a) 29
35 U.S.C. § 314(a) 6, 31
35 U.S.C. § 314(b) 31
35 U.S.C. § 314(d) ..... *passim*
35 U.S.C. § 315(a) 26
35 U.S.C. § 315(b) 26, 29, 31
35 U.S.C. § 315(e) 26, 29
35 U.S.C. § 316(a) 20, 24
35 U.S.C. § 319 30
35 U.S.C. § 321 note 29
35 U.S.C. § 324(e) 29
35 U.S.C. ch. 31 12
35 U.S.C. ch. 32 12
Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(b), 125 Stat. 284, 331 (2011) 26

Other Authorities

37 C.F.R. § 1.510 19
37 C.F.R. § 42.100(b) 20
Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50,720 (Aug. 20, 2015) 8, 9, 16
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Letter from Gary Locke, Sec'y of Commerce, to the Hon. Patrick J. Leahy, Chairman, S. Comm. on the Judiciary, and the Honorable Jefferson B. Sessions, III, Ranking Member, S. Comm. on the Judiciary (Oct. 5, 2009) 24

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INTEREST OF THE *AMICI CURIAE*[1]

The **Biotechnology Innovation Organization (BIO)** is the principal trade association representing the biotechnology industry domestically and abroad. BIO has more than 1,100 members, which span the for-profit and non-profit sectors and range from small startup companies and biotechnology centers to research universities and Fortune 500 companies. Approximately 90% of BIO's corporate members are small or mid-size businesses that have annual revenues of under $25 million.

Because modern biotechnological products commonly involve lengthy, expensive, and resource-intensive development periods, BIO's members depend heavily on a strong, stable, and nationally uniform system of patent rights and protections. Without the promise of effective patent rights, these investments would be far more difficult—if not impossible—to undertake. Many BIO members devote years of effort and many millions of dollars to developing an innovation protected by a single patent, leaving BIO members especially vulnerable to misapplication of the standards that lead to patent invalidation and restrict judicial review of those decisions.

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[1] All parties have consented to the filing of this brief. Petitioner's consent is on file with the Clerk; respondent's written consent is submitted with this brief. No counsel for a party authored any part of this brief, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amici curiae*, their members, or their counsel made a monetary contribution to the brief's preparation or submission.

The **Association of University Technology Managers (AUTM)** is a nonprofit organization dedicated to bringing research to life by supporting and enhancing the global academic technology transfer profession through education, professional development, partnering, and advocacy. AUTM's more than 3,200 members represent managers of intellectual property from more than 300 universities, research institutions, and teaching hospitals around the world, as well as numerous businesses and government organizations.

This case concerns inter partes review (IPR) proceedings before the Patent Trial and Appeal Board (PTAB). An IPR is a proceeding brought against a patent owner in which the PTAB can invalidate its patents on certain grounds—even patents issued many years ago and previously upheld by the courts. Since Congress created IPRs in the Leahy-Smith America Invents Act (AIA), the PTAB has begun re-reviewing patents from every discipline, including biotechnology patents. The PTAB has liberally construed the limitations on its jurisdiction to permit it to institute IPRs and cancel patents even over weighty procedural objection. And at present, most patents that enter an IPR do not survive; current statistics show that a patent is systematically more likely to be found invalid by the PTAB than by U.S. district courts. Likewise, the IPR proceeding invalidates patent claims at a higher rate than previous or alternative administrative patent-challenge proceedings in the Patent and Trademark Office (PTO). Clearly, the PTAB is invalidating patents at an extraordinary rate.

The questions presented in this case implicate two of the foundational legal conclusions that have allowed the PTAB, even in a relatively short time, to cut a remarkable swath through the ranks of issued patents with barely a light tap on the brakes by the Federal Circuit. First, the Federal Circuit has held that the Patent Trial and Appeal Board (PTAB) may invalidate patents by construing their claims in a way that would never be used in an infringement case in district court, and then finding that artificially broad interpretation too broad to be patentable. Second, the Federal Circuit has held that the PTAB may invalidate patents in an IPR without any court ever being permitted to review whether the PTAB has violated the procedural limitations on its cancellation authority that Congress wrote into the America Invents Act. BIO, AUTM, and their members have a substantial interest in the Court's resolution of those questions.

SUMMARY OF ARGUMENT

A. The PTO's adoption of the broadest-reasonable-interpretation standard of claim construction in IPR proceedings was fundamentally wrong. That standard does not fit with the litigation-lite mechanism that Congress created, and the PTO's attempt to make it fit goes far beyond any rulemaking authority that Congress conferred.

1. The broadest-reasonable-interpretation standard serves a valid purpose when a patent is being examined. During the back-and-forth process of examination, construing claims as broadly as possible can allow the examiner and the applicant to spot and

correct ambiguities in a claim, resulting in better-defined patent rights that can be relied on for business decisions, provide public notice, and improve the claim's chances of surviving in future litigation.

In the IPR setting, by contrast, the broadest-reasonable-interpretation standard does only one thing: it makes patents more likely to flunk the PTAB's standard for patent validity, which is already harder to survive than in district court because the challenger's burden in an IPR is lower. The features that make the standard useful in reexamination do not work in IPRs, because of the differences in how those proceedings work. Congress intended for an IPR to be a more efficient version of a lawsuit in district court. In an IPR, therefore, the PTAB should construe the claims as a district court would—under the ordinary-meaning standard, as elucidated in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

The Federal Circuit doubled down on its comparison of IPRs to reexaminations by suggesting that the process for amending claims is sufficiently similar in both proceedings (and thus the same claim-construction standard is warranted). That observation is ungrounded in reality. Claim amendments in reexaminations are relatively easy to obtain, as they are given to patent owners on an "as needed" basis, the product of a give-and-take between patent examiner and patent owner. Amending a claim by motion in a PTAB proceeding, on the other hand, has been well-nigh impossible, thanks to the many roadblocks the PTAB has erected. The numbers bear that out: in the four-and-a-half years since enactment of the

America Invents Act, the PTAB has granted only *five* motions to amend. And the PTO has left open no other avenue of amending claims once an IPR begins.

2. Had Congress really intended to transplant the claim-construction standard used in examinations to this different, adversarial context, Congress could—would—have made that curious choice plain in the statute. It did no such thing, and its mere silence is not enough to allow the PTO to impose that standard through rulemaking. The PTO has no statutory authority to promulgate the type of substantive rule necessary to make such a selection. Rules on claim construction are substantive in nature, yet the PTO lacks the authority to promulgate substantive rules. For more than a hundred years, substantive patent law has been made in Congress and interpreted in the courts; it has *not* been made by an agency. The AIA did nothing to change that. The Federal Circuit's cursory analysis of the PTO's rulemaking authority—devoid of any context—was flawed.

3. The practical consequence of the PTO's erroneous selection of the broadest-reasonable-interpretation standard is that district court invalidity proceedings and IPRs are on unequal footing. Despite the fact that both proceedings are designed to answer the same question—whether the patent is invalid—they use different legal standards to answer that question. And because the PTAB's standard is friendlier to those challenging a patent's validity, the district court has become all but irrelevant. This is not the parallelism that Congress intended; IPR was

meant to serve as an alternative to, not a replacement for, district court litigation.

B. By statute, the PTAB cannot institute an IPR unless the petition satisfies certain threshold requirements, *e.g.*, that the petition is timely, names all real parties in interest, and lists the grounds and evidence for attacking claims as invalid. Based on an overly broad reading of 35 U.S.C. § 314(d), the Federal Circuit incorrectly held that the PTAB's determinations on any of these threshold matters is immune from judicial review, even once the PTAB renders a final decision that is appealable as of right.

Reading § 314(d) as an absolute bar on any judicial review of any issue related to the decision to institute runs contrary to the plain text of the statute, which states that decisions to institute "under this section," i.e., § 314, are not reviewable. What is unreviewable is the PTAB's decision that there is a "reasonable likelihood" a petitioner would prevail on challenging at least one claim listed in the petition, *see* 35 U.S.C. § 314(a). This reasonable reading complies with the presumption of judicial review, which requires that statutes restricting such review be narrowly construed.

The Federal Circuit's unwillingness to review threshold questions related to institution has already prevented judicial review of PTAB decisions on two important threshold requirements: timeliness and identifying the proper real party in interest. This Court cannot allow the Federal Circuit to stay silent on these threshold issues forever. Innovators are already bereft of guidance on key questions related to the decision to institute an IPR. That the PTAB is

unwilling to make its decisions precedential does not help this lack of guideposts. The Court should set aside the Federal Circuit's mistaken and unreasonable interpretation of 35 U.S.C. § 314(d) and allow for limited judicial review of certain threshold questions related to the decision to institute an IPR.

ARGUMENT

A. The PTAB's Unprecedented Use Of The Broadest-Reasonable-Interpretation Standard In IPRs Has No Basis In Patent Law.

Inter partes review is an agency proceeding with no real predecessor in the history of patent law. Until Congress adopted the AIA in 2011, the PTO had a number of procedures designed to resolve questions about patent validity by reopening the patent examination process, but it never had a truly adjudicative procedure, one that fully replicated the adversarial process. District-court litigation was the only contemporary analogue to what an IPR is now, but even that comparison is imperfect; Congress intended for IPRs to serve as a more streamlined and efficient means of litigating certain frequently-arising questions of patentability in a simplified proceeding at the agency level. IPRs are litigation lite.

Both the PTAB and the Federal Circuit have recognized a fundamental difference between IPR proceedings and more traditional mechanisms for review. *See, e.g.*, *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) (describing the shift from "an examinational to an adjudicative proceeding"); *Nichia Corp. v. Emcore Corp.*, No. IPR2012-

00005, 2014 WL 574596, at *27 (PTAB Feb. 11, 2014) ("An *inter partes* review is more adjudicatory than examinational in nature."). But that recognition has amounted to little more than lip service. Indeed, when it comes to standards of claim construction, both the agency and the court of appeals have all but turned a blind eye to the fact that IPR proceedings are different, unique, and unprecedented.

In this case, the Federal Circuit justified IPRs' use of the broadest-reasonable-interpretation standard because the PTO has traditionally used it in examinations. Pet. App. 13a; Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50,720, 50,722 (Aug. 20, 2015). Yet IPRs are not traditional, and they are not examinations—they are a deliberate break from what the PTO has done in the past, in an effort to shake off past inefficiencies of having parallel proceedings before the agency and the district court.

If any comparison is to be made, it should be to district-court litigation, which the IPR process was designed to mimic. And district courts have used a decidedly different standard of claim construction—the ordinary-meaning standard, as elucidated by the Federal Circuit in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005). That standard governs any attempt to invoke the patent or to design around it, because only district courts can hear an infringement claim. And it governs any district-court litigation over invalidity. The same standard should apply in IPR proceedings.

Conducting IPRs using the ill-fitting broadest-reasonable-interpretation standard has resulted in

unprecedented rates of patent invalidation. Of the 732 IPRs completed as of December 31, 2015, 87% have resulted in at least one claim being invalidated. A standard of claim construction intended to refine and perfect patents is now being used to invalidate them *en masse*.

Patent judges are not patent examiners. The PTO has already recognized that an IPR is "neither ex parte patent prosecution nor patent reexamination or reissue." 80 Fed. Reg. at 50,724. The next logical step is for the PTO to abandon the legal standard used in the examination procedures that, it acknowledges, are different, and to apply the legal standard used in the most closely-related proceeding, district-court litigation. Instead the PTO has conflated legal standards in a way that jeopardizes the integrity of Congress's nascent reforms to the patent system.

This Court must correct the PTO's foundational legal error before it causes irreversible damage to the patent system. It should take into account what the PTAB and the Federal Circuit have ignored: (1) key distinctions between the functions of IPR proceedings and other PTO procedures; (2) the practical reality that PTAB proceedings, unlike examinations, do not actually allow amendments; and (3) Congress's deliberate decision not to give the PTO the authority to change substantive patent law by rule, as that responsibility belongs to Congress itself, with interpretive authority ultimately in this Court.

1. The PTAB's Choice Of Claim Construction Standard Fails To Account For Elementary Distinctions Between IPR Proceedings And Other, More Traditional PTO Procedures, Such As Reexaminations.

The Federal Circuit justified the PTAB's use of the broadest-reasonable-interpretation standard by comparing IPRs to more traditional PTO procedures, such as examination, interference, and reexamination. It deemed the old and the new to be similar enough to justify using the same claim-construction standard for both.[2] The Federal Circuit reached this conclusion only by disregarding how IPR is different. IPR proceedings are "distinct proceedings, with distinct parties, purposes, procedures, and outcomes." *Cf. In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985).

The flaws of the Federal Circuit's reasoning are clearest with respect to patent reexamination, the only post-grant procedure on which the Federal Circuit relies to justify invocation of the "traditional" broadest-reasonable-interpretation standard.[3] The purpose of a reexamination is diametrically opposite

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[2] Pet. App. 13a ("Nonetheless, the broadest reasonable interpretation standard has been applied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings." (collecting cases)); *id.* at 14a ("This court has approved of the broadest reasonable interpretation standard in a variety of proceedings, including initial examinations, interferences, and post-grant proceedings such as reissues and reexaminations.").

[3] The Federal Circuit also referred to examinations and interference proceedings; these procedures are even poorer bases of comparison, as they are both *pre*-grant procedures.

that of an IPR: a reexamination is a cooperative process between the examiner and the patent owner, wherein the PTO acts in the public interest by defining the scope of patent rights that it grants, denies, or reaffirms. In contrast, an IPR is an adjudicative proceeding where one party tries to invalidate the patent of another, and the PTO furnishes them with an impartial tribunal.

One major purpose of a reexamination is to refine claims and ultimately to correct errors that are usually the fault of the PTO. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985) ("The reexamination statute's purpose is to correct errors made by the government, to remedy defective governmental (not private) action, and if need be to remove patents that should never have been granted."); *see also Bloom Eng'g Co. v. N. Am. Mfg. Co.*, 129 F.3d 1247, 1249 (Fed. Cir. 1997) ("The purpose of the reexamination procedure is to permit a patentee or other interested person to obtain review and if necessary correction of the claims resulting from the initial examination of the patent."). Reexaminations are not intended to be a hostile process; they depend on a fluid exchange between a patent examiner and a patent owner. During this exchange, claims "can be amended, ambiguities recognized, scope and breadth of language explored, and clarification imposed." *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989). In fact, Congress was well aware of the fact that the result of a reexamination has historically been clarification and amendment (66% of reexaminations) rather than

cancellation (12%) of challenged claims.[4] Reexaminations thus do not necessarily result in the cancellation of a claim; they can also help strengthen the validity of the patent. *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983) ("One purpose of the reexamination procedure is to eliminate trial of that issue (when the claim is canceled) or to facilitate trial of that issue by providing the district court with the expert view of the PTO (when a claim survives the reexamination proceeding)."). Because of this benefit, patent owners may voluntarily choose to undergo a reexamination. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1305 (Fed. Cir. 2009) (Newman, J., concurring) ("[Reexamination] can be a useful and powerful tool for the benefit of both patentees and those interested in restricting or eliminating adversely held patents.").

IPR proceedings, however, cannot serve an error-correcting purpose to the same extent as reexaminations. This was a deliberate choice on Congress's part; Congress imposed time limits, eliminated layers of administrative review, and crafted an overall adversarial process that necessarily constrains amendment opportunities in IPRs relative to reexaminations. In the House Judiciary Committee's discussion on the closely related Post-Grant Review process (*compare* 35 U.S.C. ch. 31 *with id.* ch. 32), the committee acknowledged that Post-Grant Review was "[*u*]*nlike* reexamination proceedings, which pro-

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[4] U.S. Patent and Trademark Office, *Ex Parte Reexamination Filing Data* 2 (Sept. 30, 2014), http://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up_EOY2014.pdf.

vide only a limited basis on which to consider whether a patent should have issued." H.R. Rep. No. 112-98, pt. 1, at 47 (2011). And tilting Post-Grant Review and IPR proceedings toward a purpose of validity-determination rather than error-correction ensured that the procedure would be "quick" and "efficient." *Id.* As a result, patent owners do not benefit from IPR proceedings as currently constituted, unlike reexaminations. For one, they cannot preemptively initiate IPR proceedings. *See* 35 U.S.C. § 311(a) ("[A] person *who is not the owner of a patent* may file [an IPR petition] " (emphasis added)). And even if they prevail in one proceeding, they are always at risk of being subjected to another.

One of the Federal Circuit's foundational premises was therefore incorrect—IPR proceedings are nothing like reexaminations. The two procedures have different goals and accord different benefits; the use of a claim-construction standard in reexamination thus does not justify its use in IPR.

2. The Federal Circuit Based Its Endorsement Of The PTAB's Erroneous Choice Of Claim Construction Standard On An Unrealistic Understanding Of How The PTAB Conducts Its Proceedings.

Perhaps stemming from its conflation of IPRs with other patent proceedings, the Federal Circuit also mistakenly observed that the process of amending a claim in IPR proceedings, while "cabined," is sufficiently similar to the process of amending a claim in a patent reexamination. In the court's view, that observation was another reason to justify use of

the broadest-reasonable-interpretation standard in IPR proceedings. But the Federal Circuit failed to recognize that the amendment process in IPR proceedings is effectively futile, leaving patent owners with no opportunity to amend claims so that they have a better chance of surviving PTAB scrutiny. Even the PTO has candidly acknowledged that the standards for amendment are substantively different.

One of the reasons that the PTO uses the broadest-reasonable-interpretation standard in reexamination proceedings is that "a patentee is able to amend its claims during reexamination." *In re Rambus, Inc.*, 753 F.3d 1253, 1255 (Fed. Cir. 2014). During the reexamination process, a patent owner has the "ability to amend his claims to avoid cited prior art." *In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984). In doing so, the applicant may, "as needed," "correct errors in claim language and adjust the scope of claim protection." *Id.*

The standard for construction is different, however, if the claim cannot be altered. If "a reexamination involves claims of an expired patent," a patent examiner uses the *Phillips* standard of claim construction because "a patentee is unable to make claim amendments." *In re Rambus*, 753 F.3d at 1256 (citing *Manual of Patent Examining Procedure* § 2258(G)). The PTAB, too, understands that use of a different claim construction standard is appropriate in IPR proceedings when claims are expired and can no longer be amended. *E.g.*, *Denso Corp. v. Netlatch, LLC*, No. IPR2015-00473, 2015 WL 4467405, at *3 (PTAB July 15, 2015); *W.L. Gore & Assocs., Inc.*

v. Lifeport Sciences LLC, No. IPR2014-01319, 2015 WL 799478, at *4 (PTAB Feb. 23, 2015) ("The Board's review of claims of an *expired* patent, however, is similar to that of a district court's review."). Like the PTO in the reexamination context, the PTAB already understands that the lack of an ability to amend a claim necessarily requires use of the *Phillips* standard. *See Compass Bank v. Maxim Integrated Products, Inc.*, No. CBM2015-00102, 2015 WL 5921097, at *5 (PTAB Oct. 7, 2015) (instructing parties to brief claim construction under both the broadest-reasonable-interpretation standard and the *Phillips* standard because the patent could expire before issuance of the PTAB's final written decision). What it fails to acknowledge, however, is that its existing prescriptions for amendment are wholly inadequate and merely illusory.

Indeed, the process of amending a claim during an IPR proceeding is nowhere near as liberal as amendment in reexamination. Amendments are granted "as needed" in reexaminations; by contrast, amendment is not granted as of right in an IPR, not even if the amendment corrects the claim defects cited as grounds for instituting the IPR in the first place. Instead, the PTAB makes patent owners satisfy a heavy additional burden of proof and persuasion. In an oft-cited yet nonprecedential decision, the PTAB set forth the following framework for seeking claim amendments by motion in an IPR:

> A patent owner should identify specifically the feature or features added to each substitute claim, as compared to the challenged claim it replaces, and

> come forward with technical facts and reasoning about those feature(s), including construction of new claim terms, sufficient to persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner. The burden is not on the petitioner to show unpatentability, but on the patent owner to show patentable distinction over the prior art of record and also prior art known to the patent owner.

Idle Free Sys., Inc. v. Bergstrom, Inc., No. IPR2012-00027, 2013 WL 5947697 (PTAB June 11, 2013); *see also Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1304-08 (Fed. Cir. 2015) (discussing *Idle Free* factors in deferential review of a PTAB denial of a motion to amend).

Thus, the PTO has not drawn the type of equivalence between the amendment processes in IPRs and reexaminations that the Federal Circuit relied on, Pet. App. 15a-17a. Rather, the PTO has candidly acknowledged that its standards for amendment are markedly different. It justifies the more burdensome standard in IPRs by noting that, unlike reexamination or other non-adjudicatory review procedures, the PTAB in an IPR does not "conduct a prior art search to evaluate the patentability of the proposed substitute claims" when presented with a motion to amend. 80 Fed. Reg. at 50,724. So it (dubiously) imposes the burden on patent owners to prove a negative—that the new claims not only contain elements not in the

prior art, but that they would not have been obvious. *See, e.g.*, *Illumina Cambridge Ltd. v. Intelligent Bio-Systems, Inc.*, --- F. App'x ----, 2016 WL 363498, at *3-*6 (Fed. Cir. Jan. 29, 2016).

Because of the burdensome amendment process in an IPR, patent owners believe it is virtually impossible to amend a claim by motion with the PTAB's approval. And that belief is corroborated by fact—the PTAB has been exceedingly stingy in granting motions to amend filed in IPRs. Of the 134 motions to amend filed in PTAB proceedings to date, only *five* have been granted.[5] Compounding the problem is that patent owners have no meaningful guidance on what would be "sufficient to persuade the Board that the proposed substitute claim is patentable over the prior art of record." *See Microsoft Corp.*, 789 F.3d at 1304-05 (noting that *Idle Free* is "not binding authority" under the PTAB's rules). There seems to be little rhyme or reason behind the PTAB's decisions to allow amendments of claims by motion. Of the handful of claims that were successfully amended by motion, most were unopposed.

In fact, the PTAB is so hostile to amendment that it has even said no *when no party opposed the amendment*. In one case—as it happens, involving

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[5] *Reg Synthetic Fuels LLC v. Neste Oil OYJ*, No. IPR2014-00192, 2015 WL 3609359 (PTAB June 5, 2015); *Chi. Mercantile Exch., Inc. v. 5th Market, Inc.*, No. CBM2013-00027, Paper No. 38 (PTAB Mar. 23, 2015); *Riverbed Tech., Inc. v. Silver Peak Sys., Inc.*, Nos. IPR2013-00402, IPR2013-00403, 2014 WL 7405745, 2014 WL 7405746 (PTAB Dec. 30, 2014); *Int'l Flavors & Fragrances, Inc. v. United States*, No. IPR2013-00124, 2014 WL 2120542 (PTAB May 20, 2014).

the Government as the patent owner—the PTAB denied a motion to amend one particular claim because the Government had failed to provide certain evidence. *See Int'l Flavors & Fragrances, Inc. v. United States*, No. IPR2013-00124, 2014 WL 2120542, at *9 (PTAB May 20, 2014) (claim 45).

In theory, patent owners can try to amend their claims by other procedures such as reexamination or reissue; in practice, however, these procedures are all but a dead end. Part of the problem is that the PTAB cannot come to an agreement with the rest of PTO (and, for that matter, itself) on how to address claims in parallel administrative proceedings. For example, in one instance, the PTAB issued a stay of a reexamination proceeding for fear that parallel proceedings would yield inconsistent results. *Gea Process Eng'g, Inc. v. Steuben Foods, Inc.*, No. IPR2014-00043, Paper No. 35, at 3-4 (PTAB May 27, 2014); *see also Hewlett-Packard Co. v. MCM Portfolio, LLC*, No. IPR2013-00217, Paper No. 8, at *2 (PTAB May 10, 2013) (issuing a stay of a pending reissue). But in another case, the PTAB had determined that a patent owner could move forward with a reexamination while the IPR proceeding was pending, noting that a patent owner in an IPR proceeding was not limited to seeking amendment only in that proceeding. *See Game Show Network, LLC v. Stephenson*, No. IPR2013-00289, Paper No. 31, at 4 (PTAB Mar. 21, 2014) ("To say that a Patent Owner may request an *ex parte* reexamination to obtain 'a complete remodeling of its claim structure' does not mean that any other form of amendment to claims challenged in an IPR must be obtained within the IPR."). To add to the confusion, the PTO's Cen-

tral Reexamination Unit concluded differently, explaining that because the question of patentability was before the PTAB in an IPR proceeding, an examiner could not conclude that the patent owner had presented a *new* substantial question of patentability, which 37 C.F.R. § 1.510(b) requires before reexamination may commence.[6] Put differently, if a patent owner is already in an IPR proceeding—a circumstance that might prompt the owner to seek amendment by reexamination—then it is already too late.

It was therefore disingenuous for the Federal Circuit to suggest "the opportunity to amend [in IPR proceedings] is cabined [but] nonetheless available," thereby justifying use of the broadest-reasonable-interpretation standard in such proceedings. Pet. App. 17a. Claim amendment in the IPR context looks nothing like claim amendment in reexaminations; calling the former "cabined" was a gross understatement. And by congressional design, IPR can never be a process by which patent owners may have a fair opportunity to "correct errors in claim language and adjust the scope of claim protection *as needed*." *In re Yamamoto*, 740 F.2d at 1572 (emphasis added). Even if the PTO were willing and able to promulgate rules that allowed for more liberal

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[6] *See* Decision on Request for Reexamination, Reexamination Control No. 09/013,148 (US Patent No. 6,174,237), at 4 (PTO CRU Mar. 21, 2014) ("While the examiner agrees that [the patent owner] presents a substantial question of availability, the fact that the exact question is currently being considered by the PTAB means that the question cannot be considered new."), *available at* http://www.patentspostgrant.com/images/Order-Denying-Reexam-90013148.pdf.

amendment of claims in PTAB proceedings, it is likely that the process of vetting proposed substitute claims would be constrained by the PTAB's obligation to issue a decision within 12 months of institution, as required by statute.[7] *See* 35 U.S.C. § 316(a)(11).

3. Congress Deliberately Chose Not To Give The PTO The Authority To Impose A New, Substantive Claim Construction Standard.

Perhaps more troubling than the PTAB's use of the wrong legal standard is how the standard came to be adopted. The PTO imposed the broadest-reasonable-interpretation standard by promulgating a regulation, describing it as a rule of "Trial Practice Before the Patent Trial and Appeal Board." 37 C.F.R. § 42.100(b) ("A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears."). But the PTO had no authority to promulgate this rule.

The PTO's selection of a claim-construction standard is substantive in nature, not procedural. Nothing in the Patent Act specifies a particular

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[7] *Cf.* Eliot D. Williams & May Eaton, *Surviving PTAB Trials as a Patent Owner: Protecting Your Portfolio from the PTAB "Death Squads,"* 27 No. 1 Intell. Prop. & Tech. L.J. 9, 10 (2015) (explaining that attempting to amend claims by reissue during an IPR proceeding or covered business method review "would make it difficult for the PTAB to complete [trial] within the statutory 12 month period" because the reexamination would require negotiation "over the patentability of the proposed amended claims").

standard for claim construction in IPRs. The selection of a claim-construction standard therefore required some regulatory gap-filling power prescribed by statute, and the PTO has no such power. *See Nat'l Family Planning & Reproductive Health Ass'n, Inc. v. Sullivan*, 979 F.2d 227, 237 (D.C. Cir. 1992) ("[A] legislative or substantive rule is one that does more than simply clarify or explain a regulatory term a rule is legislative if it attempts 'to supplement [a statute], not to simply construe it.'" (citation omitted)). Indeed, the Federal Circuit—which defers to the regional circuits on procedural matters—affords no such deference on claim construction, precisely because it has long understood claim construction to be substantive and not procedural. *See Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 856 (Fed. Cir. 1991) (noting that the Federal Circuit has jurisdiction when it involves a "subject unique to patent law" or is "related to substantive matters unique to the Federal Circuit"); *see also, e.g., Lazare Kaplan Int'l, Inc. v. Photoscribe Techs., Inc.*, 714 F.3d 1289, 1293 (Fed. Cir. 2013) (question of whether "a district court may reopen a prior final judgment as to patent validity based on a claim construction modified by [the court of appeals]" is an issue of patent law warranting no deference to the law of the regional circuit).

The PTO has never had the authority to promulgate substantive rules. That lack of authority stems from a long history of giving the Patent Office (and the PTO) no power to shape substantive law. Indeed, midway through the life of the PTO's predecessor, the Patent Office, this Court took a skeptical view of the Office's ability to substantively influence patent

law *See, e.g., McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 U.S. 606, 612 (1898) (the invalidation of an issued patent for failure to comply with reissue requirements constituted "an invasion of the judicial branch of the government by the executive"). But courts did acknowledge that the Patent Office had the authority to promulgate rules for "a system of practical procedure," i.e., "matters of practice and procedure not involving the merits and final rejection of claims." *United States ex rel. Steinmetz v. Allen*, 22 App. D.C. 56, 67 (D.C. Cir. 1903), *rev'd on other grounds*, 192 U.S. 543 (1904).

Nothing has changed with the modern PTO—it still lacks the authority to promulgate substantive rules. In *Merck & Co. v. Kessler*, 80 F.3d 1543 (Fed. Cir. 1996), the Federal Circuit determined that the phrase "conduct of proceedings" in an earlier statute granting the PTO rulemaking authority did not "grant the Commissioner the authority to issue substantive rules." *Id.* at 1549-50; *see also Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991) ("A substantive declaration with regard to the Commissioner's interpretation of the patent statutes" does not fall within the usual interpretation of ['conduct of proceedings']."). Congress agreed, moving the statutory source of the PTO's rulemaking power to a place in the code that "ratified *Merck*'s 'procedure, not substance,'" construction of the authorizing statute. Joseph Scott Miller, *Substance, Procedure, and the Divided Patent Power*, 63 Admin. L. Rev. 31, 33 n.9 (2011).

The PTO's lack of substantive rulemaking authority is all the more significant because the PTO tried

hard to get that authority, and failed. In 2007, Congress considered—but ultimately did not enact—the Patent Reform Act of 2007, which would have given the PTO substantive rulemaking authority. H.R. 1908, 110th Cong. § 14 (as introduced in the House, Apr. 18, 2007). The Act would have given the Director the authority to "promulgate such rules, regulations, and orders that the Director determines appropriate to carry out the provisions of [Title 35] or any other law applicable to the [PTO] or that the Director determines necessary to govern the operation and organization of the Office." *Id.* The Senate did not take up the bill.

Stymied by legislative inaction and in an effort to manage its ever-increasing workload, the PTO attempted to test the limits of its rulemaking authority by promulgating substantive rules—specifically, rules that would "limit the number of continuing applications, requests for continued examination, and claims that an applicant could make as a matter of right." *See Tafas v. Dudas*, 541 F. Supp. 2d 805, 809 (E.D. Va. 2008) (citing 71 Fed. Reg. 61 (Jan. 3, 2006)), *aff'd in part, rev'd in part sub nom. Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009), *vacated and dismissed as moot*, 586 F.3d 1369 (Fed. Cir. 2009). A district court invalidated the rules because they were substantive rules promulgated without statutory authority to make such rules. *Tafas*, 541 F. Supp. 2d at 817 Although the PTO appealed, the Federal Circuit eventually dismissed the case as moot because the PTO had rescinded the controversial rules. *Tafas*, 586 F.3d at 1371. The court of appeals did, however, leave the district-court decision intact. *Id.*

Faced with judicial reluctance to sustain new administrative powers, the PTO returned to Congress, this time during consideration of the America Invents Act. The Secretary of Commerce asked that Congress "grant[] the USPTO substantive rulemaking authority," as it "would give the USPTO Director the ability to provide flexibility in the administration of patent rules and procedures." Letter from Gary Locke, Sec'y of Commerce, to the Hon. Patrick J. Leahy, Chairman, S. Comm. on the Judiciary, and the Honorable Jefferson B. Sessions, III, Ranking Member, S. Comm. on the Judiciary, at 2-3 (Oct. 5, 2009). "At a minimum," the Secretary said, "USPTO should have procedural rulemaking authority over proceedings in the agency." *Id.* at 3.

And the minimum is what Congress gave to the PTO. Almost all of the delegations of authority in 35 U.S.C. § 316(a) are unambiguously procedural in nature. Under § 316(a), the PTO has the authority to promulgate rules related to certain procedural aspects of IPR proceedings, such as rules on discovery,[8] rules for filing "supplemental information,"[9] and rules on joinder.[10]

There is no reason to treat § 316(a)(2) and § 316(a)(4) any differently—they should be viewed as grants of authority to promulgate procedural rules and nothing else. The Federal Circuit erred by analyzing these provisions in a vacuum, with no appreciation for the "statutory and historical context" be-

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[8] 35 U.S.C. § 316(a)(5)-(8).

[9] 35 U.S.C. § 316(a)(3).

[10] 35 U.S.C. § 316(a)(12).

hind these provisions. *Entergy Corp. v. Riverkeeper, Inc.*, 556 U.S. 208, 223 (2009). It should not have held, especially without analysis, that "§ 316 provides authority to the PTO to adopt the standard in a regulation." Pet. App. 18a. If these statutory provisions were truly meant to be so broad as to give the PTO *carte blanche* on all things IPR, most of the other provisions in § 316 would be unnecessary, for the PTO could promulgate those rules with its ostensible blanket authority. *See Direct Mktg. Ass'n v. Brohl*, 135 S. Ct. 1124, 1132 (2015) ("a carefully selected list" must be interpreted to avoid surplusage and "defeat [of] the precision of that list"). Had Congress intended to give the PTO such sweeping power, it would have been more precise in saying so.

4. The PTO's Adoption Of The Broadest-Reasonable-Interpretation Standard Frustrates Congressional Intent That PTAB And District Court Proceedings Operate As Alternatives.

Congress intended for IPRs to serve as a "quick and cost effective alternative[] to litigation," not to supplant district-court litigation entirely. H.R. Rep. No. 112-98, pt. 1, at 48. Congress did not want to remove questions of patent validity from generalist Article III courts altogether and commit them to special administrative tribunals (as is the practice in some other countries, *e.g.*, Germany). Yet the PTO's choice of claim-construction standard threatens to achieve exactly that outcome, because the different standard can affect outcomes so significantly.

The creation of IPRs did not constrain district courts in any way from deciding questions of validity. It merely gave patent challengers a new option: they can choose to take their validity challenge to the PTAB, and seek adjudication there. But this choice comes with certain costs. For example, challengers wishing to bring an IPR proceeding cannot *also* seek a validity determination through a declaratory judgment action in district court. 35 U.S.C. § 315(a)(1). If there is an infringement action pending, challengers must also choose promptly whether to seek adjudication through IPR. *See id.* § 315(b). Once this choice is made, the challenger is bound by the outcome: stringent estoppel provisions bar the challenger from raising issues in district court that were "raised" or reasonably could have [been] raised during [the IPR]." *Id.* § 315(e)(2). Put differently, Congress offered patent challengers a choice between two fora; it did not give challengers an entitlement to litigate validity twice in different places, nor did it express a preference for one forum over the other.[11]

For all intents and purposes, therefore, IPR was to be a proceeding that can adjudicate certain discrete questions of patent validity more quickly and cheaply than in the more comprehensive context of district-court litigation. It was not intended as a proceeding that would systematically produce different

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[11] Where Congress does express such a preference, it can be trusted to do so explicitly. *See, e.g.*, Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(b)(1), 125 Stat. 284, 331 (2011) (providing for stays of district-court litigation pending a different type of post-grant review, but making no such provision for IPRs).

outcomes, and thereby displace district courts as a forum for adjudicating patent validity.

The PTO's choice of claim-construction standard, however, has effectively accomplished just that. The agency uses a standard of claim construction under which claims are systematically more likely to be invalidated, and indeed the majority of claims on which an IPR is instituted are invalidated in short order. For a patent challenger, the incentives for using IPR are so great that few rational parties would rely on district courts to adjudicate questions of patent validity. Most patent challengers will seek to open a "second front" in the fight over the patent's validity by taking the surer shot provided by the IPR process—in fact, over 80% of patents in IPRs are simultaneously in district court litigation. This dualism breeds inefficiency—the different claim-construction standards encourage additional litigation, as patent challengers who can afford to fight patent validity on a second, less hostile front will invariably do so. The result is a system at odds with the one Congress designed.

* * * * *

The PTO's divergence from the district courts on questions of claim construction has undermined confidence in the patent system. Innovators who must protect their businesses against patent infringement find that the current dual system of claim construction works against them two ways: the narrower claim construction in district court favors non-infringement; the broader claim construction in the PTAB favors invalidity. This game of "heads, I win—tails, you lose" leaves businesses and their investors

with tremendous uncertainty about the fate of business-sustaining patents—how their claims will be construed, and how likely invalidation will be as a result, will systematically depend on the forum a patent challenger chooses. This Court should require the PTAB to use the claim-construction standard that Congress expected it to use, instead of a standard meant for saving patents that is now being used to cancel them.

B. The Federal Circuit Abdicated Its Judicial-Review Responsibilities By Holding That The PTAB's Decisions To Institute Are Unreviewable, Leaving The PTAB With Unfettered Discretion To Disregard Congressional Commands.

Precisely because so many IPRs end up in the same place—cancelling the patent—it is all the more important that the PTAB turn square corners along the way. The statutes governing IPRs and similar PTAB post-grant proceedings contains a number of specific requirements that strictly limit the "who," "what," and "when" of IPRs. Yet the PTAB and the Federal Circuit together have deeply weakened these restraints. The PTAB has regularly invalidated patents even when the patent owner has a substantial procedural argument that the IPR may not proceed. But because the PTAB rejects those procedural arguments at the same time and in the same order as its decision to institute an IPR, the Federal Circuit has held that it may not review those procedural decisions. That holding is incorrect and should be reversed.

Correcting the Federal Circuit's abdication of judicial review will significantly affect the viability of a number of important procedural statutes governing IPRs. For example, the IPR petition must be timely filed.[12] The IPR petitioner must demonstrate that it is not estopped from bringing the petition.[13] As part of the estoppel and timeliness inquiries, the petition must identify the real parties in interest.[14] The petition's cancellation request must be based on "prior art consisting of patents or printed publications."[15] And, of course, as petitioner argues in this case, the petition must identify "each claim challenged" with particularity, providing "the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim."[16] If any of these requirements is not satisfied, the IPR petition is defective under the express terms of the statute.[17] The Director has no statutory authority to alter any of these requirements.[18] Nor is there even any requirement that they be resolved

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[12] 35 U.S.C. §§ 311(c), 315(b).

[13] 35 U.S.C. § 315(e)(1).

[14] 35 U.S.C. §§ 312(a)(2), 315(b), (e)(1).

[15] 35 U.S.C. § 311(b).

[16] 35 U.S.C. § 312(a)(3).

[17] Similarly, post-grant reviews require at the threshold that the patent in question be a post-AIA patent, an issue that has already sparked litigation. *See* 35 U.S.C. § 321 note. Post-grant reviews are subject to a materially identical bar on reviewing institution decisions. *Id.* § 324(e).

[18] She does, however, have the discretion to promulgate rules requiring additional information. 35 U.S.C. § 312.

at the petition stage, though that has been the PTAB's practice.

A decision on one of these threshold grounds is not clearly and unambiguously a "determination by the Director whether to institute an inter partes review under this section." Judicial review therefore is not barred by 35 U.S.C. § 314(d), which makes such a determination "final and non-appealable." The Federal Circuit erred in holding otherwise.

1. The Federal Circuit was too quick to abandon the presumption of judicial review—indeed, so quick that the court failed to address the presumption at all. Courts must begin with the "strong presumption" that "Congress did not mean to prohibit all judicial review of [an agency] decision." *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 672 (1986) (quoting *Dunlop v. Bachowski*, 421 U.S. 560, 567 (1975)). "[O]nly upon a showing of 'clear and convincing evidence' of a contrary legislative intent should the courts restrict access to judicial review.'" *Id.* (quoting *Abbott Labs. v. Gardner*, 387 U.S. 136, 141 (1967)). And a corollary to the presumption of judicial review is that courts must construe bars to judicial review narrowly, rather than absolutely. *E.g.*, *Lindahl v. Office of Personnel Mgmt.*, 470 U.S. 768, 779-80 (1985).

Thus, the Federal Circuit should have begun by determining the narrowest clear meaning of the non-appealable "determination" mentioned in § 314(d). The parties to an IPR have a statutory right to appeal from a final written decision. 35 U.S.C. §§ 141(c), 319. Section 314(d) does not withdraw an-

ything from that guarantee of appellate review *except* the "determination whether to institute."

2. Section 314(d) can be read in a way that both fulfills the statute's purpose and preserves meaningful judicial review. It is best construed as a bar *only* on challenging the Director's determination under § 314(a) that "there is," or is not, "a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." Even if that were not the best reading, the presumption favoring judicial review would still favor it.

Section 314(d) states that the Director's decision "whether to institute an [IPR] *under this section* shall be final and nonappealable." The phrase "under this section" refers only to § 314(a), the only decision assigned to the Director in all of § 314. By contrast, when § 314 refers to inter partes review *generally*, it refers to "inter partes review *under this chapter*," not just this section. § 314(b) (emphasis added). "Under this section," therefore, refers to the Director's decision under § 314(a), not the IPR writ large.

By contrast, the various threshold grounds that can block an IPR, such as the statute of limitations, come from outside § 314. The statute of limitations, for example, is in § 315(b). A ruling on that ground, therefore, does not naturally fall within the scope of a determination made under "this section," § 314. Nor is it a ruling about the "reasonable likelihood" that the petitioner will prevail at a subsequent step. The PTAB conceivably could decide *not* to institute an IPR that is time-barred on the ground that the time bar defeats the "reasonable likelihood" of success. But in a case where the PTAB *does* institute an

IPR, it must rule on procedural objections *on their merits*; it can no longer just weigh the reasonable likelihood of a future outcome. That decision *on the merits* of the procedural objection is then reviewable on appeal from the final written decision.

3. The Federal Circuit has attempted to justify ducking review of these important issues by stating that they implicate *only* the institution decision, not the PTAB's authority to invalidate. Thus, for example, in *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015), the court of appeals held that a question about a petition's timeliness was unreviewable because it "does not impact the Board's authority to invalidate a patent claim" and is therefore "fairly characterized as part of the [unreviewable] decision to institute," even if the final written decision addresses the timeliness issue. *Id.* at 657-68 (alterations omitted). "That the Board considered the time-bar in its final determination," the Federal Circuit said, "does not mean the issue suddenly becomes available for review or that the issue goes to the Board's ultimate authority to invalidate " *Id.*; *accord Synopsys, Inc. v. Mentor Graphics Corp.*, Nos. 2014-1516, 2014-1530, 2016 WL 520236, at *2, *12 (Fed. Cir. Feb. 10, 2016) (similarly holding a timeliness argument unreviewable).

That reasoning is incorrect. A challenge to the PTAB's power to hear a case necessarily implicates its power to grant relief; if the PTAB is powerless to hear a case, it is powerless to hand down a decision in that case canceling a patent.

In the judicial context, defects in seeking or granting discretionary review can and do affect the

tribunal's power to grant relief. *See, e.g.*, *FEC v. NRA Political Victory Fund*, 513 U.S. 88, 90-91, 99 (1994) (holding that this Court lacked jurisdiction because petition for certiorari was untimely); *Baldwin Cnty. Welcome Ctr. v. Brown*, 466 U.S. 147, 162 & n.1 (1984) (Stevens, J., dissenting) (collecting cases on jurisdictional time limit for petition for leave to appeal). The same is true *a fortiori* of an agency tribunal, because agencies are entirely creatures of statute and have no power beyond what the statute confers.

4. The Federal Circuit's refusal to review institution decisions has had an unintended collateral consequence, one of great concern to innovators—the absence of review has left PTAB decisionmaking arbitrary, ad hoc, panel-dependent, and unpredictable. The PTAB issues very few precedential decisions in IPRs and similar proceedings; while it has provided some guidance on how it resolves threshold issues such as estoppel, privity, and limitations, that guidance has come in the form of informative papers, which are not binding authority even on the PTAB itself. *See Microsoft Corp.*, 789 F.3d at 1304 ("According to the Board's operating procedures, informative decisions are 'not binding authority,' but are designated as informative in order to provide 'Board norms on recurring issues,' 'guidance on issues of first impression,' and 'guidance on Board rules and practices.'" (citing Patent Trial and Appeal Board, *Standard Operating Procedure 2 (Revision 9)*, ¶ IV.A–B)). The PTAB's informative papers have, at best, persuasive value. And because of the Federal Circuit's interpretation of the jurisdictional bar,

there is absolutely no hope of a *judicial* decision elucidating any of these matters.

As a result, innovators are left deeply uncertain. The one-year filing requirement, for example, is meant to provide a patent owner with a degree of certainty about whether it will be proceeding before a district court, before the PTAB, or both. But because of the PTAB's erratic, unpredictable, and unreviewed application of that provision, innovators lack any reasonable certainty about whether their valuable intellectual property remains exposed to PTAB proceedings.

* * * * *

So long as a statute barring judicial review can be reasonably interpreted in a way that allows for some judicial review, a court should favor an interpretation allowing review over one that bars review absolutely. The Federal Circuit neglected this presumption of judicial review, instead opting for a construction of the appeal bar that gives the PTAB unfettered gatekeeping authority with no judicial scrutiny. Such an oversight cannot be taken lightly when 87% of proceedings that pass through those gates will lead to some form of claim cancellation. Congress mandated that certain statutory requirements be fulfilled before an IPR petition may be considered; a court should oversee the PTAB's institution decisions to ensure that those mandates are satisfied.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE.
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF OF LAW PROFESSORS GREGORY DOLIN, IRINA D. MANTA, ADAM MOSSOFF, KRISTEN JAKOBSEN OSENGA, AND MARK F. SCHULTZ AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

Page

STATEMENT OF INTEREST OF *AMICUS CURIAE* 1

Introduction 2

Summary of Argument 9

ARGUMENT 11

I. APPLICATION OF THE BROADEST REASONABLE INTERPRETATION IN *INTER PARTES* REVIEW 11

A. Pre-AIA Claim Interpretation 11

B. Post-AIA Claim Interpretation 14

II. THE TAKINGS CLAUSE APPLIES TO PATENTS AS PERSONAL PROPERTY 20

III. THE BROADEST REASONABLE INTERPRETATION IN POST-ISSUANCE PROCEEDINGS WITHOUT A RIGHT TO AMEND IS AN UNCONSTITUTIONAL TAKING. 21

A. A Physical Taking Has Occurred 21

B. A Regulatory Taking Has Occurred. 24

IV WHETHER OR NOT A TAKING CAN BE FOUND, THE DOCTRINE OF CONSTITUTIONAL AVOIDANCE COUNSELS STATUTORY CONSTRUCTION THAT AVOIDS A CONSTITUTIONAL ISSUE. 27

TABLE OF CONTENTS—Continued

Page

Conclusion 30

TABLE OF AUTHORITIES

Cases Page

Ashwander v. TVA
297 U.S. 288 (1936) 11, 28

Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.
402 U.S. 313 (1971) 24

Cellular Communs. Equip. LLC v. HTC Corp.
2015 U.S. Dist. LEXIS 70135 (E.D. Tex. June 1, 2015) 9

Cienega Gardens v. United States
331 F.3d 1319 (Fed. Cir. 2003) 27

Clark v. Martinez
543 U.S. 371 (2005) 28, 30

Consol. Fruit-Jar Co. v. Wright
94 U.S. 92 (1876) 22

Cordis Corp. v. Medtronic Ave, Inc.
511 F.3d 1157 (Fed. Cir. 2008) 5

E. Enterprises v. Apfel
524 U.S. 498 (1998) 11, 25

Edward J. Debartolo Corp. v. Florida Gulf Coast Building & Construction Trades Council
485 U.S. 568 (1988) 29

TABLE OF AUTHORITIES—Continued

Page

Facebook, Inc. v. Pragmatus AV, LLC
582 Fed. Appx. 864 (Fed. Cir. 2014)..... 4

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.
535 U. S. 722 (2002)..... 10, 20

Google Inc., et al. v. Micrografx, LLC
IPR2014-00532, Order 20..... 18

Google, Inc. v. Jongerius Panoramic Techs., LLC
IPR2013-00191, Paper No. 50
(P.T.A.B. Feb. 13, 2014)..... 14

Horne v. Dep't of Agric.
135 S. Ct. 2419 (2015)..... 10, 20, 26

In re Cuozzo Speed Techs. LLC, 793 F.3d 1268 (Fed. Cir. 2015)..... 5

In re Cuozzo Speed Techs., LLC
793 F.3d 1297 (Fed. Cir. 2015)..... 4, 5, 15, 28

In re Etter
756 F.2d 852 (Fed. Cir. 1985)..... 3, 20

In re Vamco Mach. & Tool, Inc.
752 F.2d 1564 (Fed. Cir. 1985)..... 22

TABLE OF AUTHORITIES—Continued

Page

In re Yamamoto
740 F.2d 1569 (Fed. Cir. 1984) 12, 13

In re Zletz
893 F.2d 319 (Fed. Cir. 1989) 2, 3, 12

Jack Henry and Associates, Inc. v. Datatreasury Corp.
CBM2014-00056, July 10, 2014, Paper No. 17 15

James v. Campbell
104 U.S. 356 (1882) 21

Kaiser Aetna v. United States
444 U.S. 164 (1979) 11, 25

Loretto v. Teleprompter Manhattan CATV Corp.
458 U.S. 419 (1982) 11, 23

Lucas v South Carolina Coastal Council
505 U.S. 1003 (1992) 27

Marine Polymer Techs., Inc. v. HemCon, Inc.
672 F.3d 1350 (Fed. Cir. 2012) 13, 19

TABLE OF AUTHORITIES—Continued

Page

McClurg v. Kingsland
42 U.S. (1 How.) 202, 11 L. Ed. 102 (1843) 22, 23

Microsoft Corp. v. i4i Ltd. Partnership
564 U.S. 91 (2011) 7, 17

Penn Central Transportation Co. v. New York City
438 U.S. 104 (1978) 11, 25

Phillips v. AWH Corp.
415 F.3d 1303 (Fed. Cir. 2005) 3, 4, 7

PPC Broadband, Inc. v. Corning Optical Communs. RF, LLC
2015-1361, 2015-1366, 2015-1368, 2015-1369, 2016 U.S. App. LEXIS 3022 (Fed. Cir. Feb. 22, 2016) 5, 16

Soc'y for the Propagation of the Gospel in Foreign Parts v. New Haven
21 U.S. (8 Wheat.) 464 (1823) 22

Solid Waste Agency v. United States Army Corps of Eng'rs
531 U.S. 159 (2001) 28, 29

TABLE OF AUTHORITIES—Continued

Page

Synopsys Inc. v. Mentor Graphics
2014-1516, 2014-1530, 2016 U.S. App. LEXIS 2250 (Fed. Cir. Feb. 10, 2016) 6

Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.
135 S. Ct. 831 (2015) 13

Versata Dev. Group, Inc. v. SAP Am., Inc.
793 F.3d 1306 (Fed. Cir. 2015) 17, 24

Wyman v. James
400 U.S. 309 (1971) 28

Yancey v. United States
915 F.2d 1534 (Fed. Cir. 1990 27

Statutes

35 U.S.C. § 102 ..... 6, 19
35 U.S.C. § 103 ..... 6, 19
35 U.S.C. § 261 (2012) 10, 20
35 U.S.C. § 282(a) 7, 17
35 U.S.C. § 304 (2012) 4
35 U.S.C. § 311(b) 6
35 U.S.C. § 314 (2010) 5

TABLE OF AUTHORITIES—Continued

Page

35 U.S.C. § 316(a)(10) 6
35 U.S.C. § 316(a)(5)(A) 6
35 U.S.C. § 316(d) 6
35 U.S.C. § 316(e) 7, 17
35 U.S.C. § 326(e) 17

Regulations

37 C.F.R. § 42 6
37 C.F.R. § 42.100(b) 7, 18, 19
37 C.F.R. § 42.121 18
37 C.F.R. § 42.20(c) 18
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TABLE OF AUTHORITIES—Continued

Page

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Just the Stats: Percentage of IPRs with a Concurrent Litigation, FITZPATRICK: POST GRANT HQ (June 30, 2015), http://www.postgranthq.com/statistics/scatter-plot-of-claims-found-unpatentable-in-final-decisions-from-fchs-data/ 15

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TABLE OF AUTHORITIES—Continued

Page

Mark A. Lemley, *An Empirical Study of the Twenty-Year Patent Term*, 22 AIPLA Q.J. 369 (1994) 8

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Terry Ludlow, *Technology Patent Licensing Trends in 2015 and Beyond*, CORP COUNSEL, Apr. 17, 2015 28

STATEMENT OF INTEREST OF *AMICUS CURIAE*

Amici curiae are intellectual property law professors[1] who teach and write about aspects of patent law including the construction of patent claims and *inter partes* review ("IPR") of patents before the United States Patent and Trademark Office ("PTO"). *Amici* have an interest in ensuring that *inter partes* review is implemented in a manner consistent with the prescriptions of Congress and this Court, while providing a sound patent policy. As indicated by the citations throughout this brief, some *amici* have authored articles in this field. *Amici* are:

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[1] Pursuant to Rule 37.6 of the Rules of the Supreme Court, *amici* state that no counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae* or their counsel made a monetary contribution to its preparation or submission. The parties have either filed blanket waivers with the Court or have expressly consented to the filing of this brief.

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INTRODUCTION

The scope of a patent is defined by its claims, and in particular, by how the language in those claims is interpreted. Under current Federal Circuit case law, fundamentally different claim construction principles are applied to the same claim terms at different points in a patent's life. During the examination of a patent application, before the PTO, an examiner will interpret the submitted claim language using the broadest reasonable interpretation. *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989) ("During patent examination the pending claims must be interpreted as broadly as their terms reasonably allow."). Doing so allows an examiner to test the patentability of a claim under any reasonable interpretation. *Id.* Generally speaking, the more broadly claim terms are interpreted, the more prior art available to reject the claim. In response to an examiner's rejections, applicants have the opportunity to amend their claims or to make arguments to explain the intended meaning of the claim language used to describe the invention to thereby narrow the interpretation given those words. By amending the claims to more precisely describe the subject matter sought to be claimed, the applicant is able to respond to—

and rein in—the "broadest reasonable interpretation" available to the examiner to more precisely identify the scope of his or her invention. This process shapes the scope of the claims and informs a court's later construction of claim terms. Once issued, the scope of the claims is fixed, and a patent owner's property right is defined. *Zletz*, 893 F.2d at 322 ("The issued claims are the measure of the protected right.").

During subsequent litigation of issued patents, a court applies a different standard for claim construction. A district court must determine what the claim terms would have meant to a person of ordinary skill in the art at the time of the invention. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc). This interpretation is *not* the *broadest* reasonable interpretation that a person of ordinary skill in the art might possibly arrive at; it is the *most* reasonable interpretation of the claims. Such an interpretation is guided by briefing and arguments of the adversaries to the litigation. Critically, during litigation, the patent owner has no opportunity to amend the claims to clarify the intended meaning and scope of the words. *See, e.g., In re Etter*, 756 F.2d 852, 859 (Fed. Cir. 1985) ("In litigation, where a patentee cannot amend his claims, or add new claims, the presumption, and the rule of claim construction (claims shall be construed to save them if possible), have important roles to play."). Rather, it is recognized that the scope of the claims is fixed. The court's claim construction then is used to determine whether the claim has been infringed, and whether the claim is invalid. A claim in litigation must be given the same interpretation for both validity and infringement purposes. *See, e.g., In*

re Cuozzo Speed Techs., LLC, 793 F.3d 1297, 1305 (Fed. Cir. 2015).

Prior to the creation of IPRs, other post-grant review mechanisms existed, namely *ex parte* and *inter partes* reexamination. These proceedings were aptly called *reexamination* in that they were very much like the original examination proceeding—both in the broad right to amend and in the PTO's application of the broadest reasonable interpretation.[2] Pub. L. No. 96-517, § 304, 94 Stat. 3015, 3015 (1980) (codified at 35 U.S.C. § 304 (2012)); *PPC Broadband, Inc. v. Corning Optical Communs. RF, LLC*, 2015-1361, 2015-1366, 2015-1368, 2015-1369, 2016 U.S. App. LEXIS 3022 at *6-7 (Fed. Cir. Feb. 22, 2016) ("Examinations and reexaminations are not adjudicatory."). A patent owner was free to amend claims and even add new, additional claims. *Cordis Corp. v. Medtronic Ave, Inc.*, 511 F.3d 1157, 1184 (Fed. Cir.

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[2] The application of the broadest reasonable interpretation in *inter partes* reexamination was not necessarily the correct standard for the PTO to have applied from a policy perspective, and its use in reexaminations was never approved by this Court. One criticism is that the examiners did not need to use such an expedient where a third party was directly pointing the examiner to the "best" prior art and strongly advocating for unpatentability of the claims. Moreover, under certain circumstances, the broadest reasonable interpretation was not the standard used. Specifically, when a patent involved in a reexamination was expired and the right to amend extinguished the PTO "construe[d] the claims in accordance with the claim construction standard set forth in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005)." *Facebook, Inc. v. Pragmatus AV, LLC*, 582 Fed. Appx. 864, 866 (Fed. Cir. 2014). In any event, *inter partes* reexamination, unlike IPR was applicable only to patents issued after the creation of that procedure. 37 C.F.R. § 1.913 (2014) (implementing Pub. L. No. 106-113, § 4608).

2008) ("Section 305 permits the owner of a patent that is in reexamination 'to propose any amendment to his patent and a new claim or claims thereto.'"). *Inter partes* reexamination provided the requester with an opportunity to participate in the examination, including filing responses to any filings made by the patent owner. *See* 35 U.S.C. § 314 (2010); 37 C.F.R. § 1.937 Both *ex parte* and *inter partes* reexamination were considered "unsuccessful" by those who wanted to "clear the field" of patents. *See* Gregory Dolin & Irina D. Manta, *Taking Patents*, 72 Wash. & Lee L. Rev. at 15-18 (forthcoming 2016) hereinafter ("*Taking Patents*"), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2652526. *Inter partes* reexaminations were abolished by the Leahy-Smith America Invents Act ("AIA"). *See* Pub. L. No. 112-29, § 6, 125 Stat. 284, 299-313 (2011).

In 2011, the AIA enacted a number of significant changes to the post-grant review system. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011). Relevant here, the AIA established a new procedure—IPR—by which a third party may challenge the validity of an issued patent. This proceeding has been described as "a new adjudicatory proceeding , whereby a newly formed Patent Trial and Appeal Board (PTAB) serves as a surrogate for district court litigation of patent validity." *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015) (Newman, J., dissenting). A petitioner in an IPR can ask the PTO to cancel one or more claims of a challenged patent "only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications." 35 U.S.C. § 311(b). IPRs provide for discovery

including technical expert depositions, 35 U.S.C. § 316(a)(5)(A), and provide "the right to an oral hearing," 35 U.S.C. § 316(a)(10), which has been implemented by PTO regulation as a "trial." *See* 37 C.F.R. § 42 ("Trial Practice Before the Patent Trial and Appeal Board").

Unlike an original examination of a patent application and previous post-grant proceedings such as *ex parte* and *inter partes* reexamination, IPRs provide no "right" to amend claims. During IPRs, a patent owner is permitted "1 motion to amend the patent." 35 U.S.C. § 316(d). In practice, such motions are effectively never granted. As of January 1, 2016, approximately 95 percent of motions to amend have been denied. *Synopsys Inc. v. Mentor Graphics*, 2014-1516, 2014-1530, 2016 U.S. App. LEXIS 2250 at 25 (Fed. Cir. Feb. 10, 2016) (citing Daniel F Klodowski and David Seastrunk, *Claim and Case Disposition, AIA BLOG*, http://www.aiablog.com/claim-and-case-disposition/ (visited Feb. 5, 2016) (reporting that 446 (94.49%) substitute claims have been denied, 26 (5.51%) substitute claims have been granted)).

While IPRs have been described as a "surrogate" for litigation of invalidity challenges in the district court, IPRs differ in fundamental ways. First, IPR changes the burden of proof for showing invalidity under Sections 102 and 103. In the district courts, invalidity must be proven by clear and convincing evidence. *Microsoft Corp. v. i4i Ltd. Partnership*, 564 U.S. 91 (2011). In IPRs, "the petitioner shall have the burden of proving a proposition of unpatentability by *a preponderance of the evidence*." 35 U.S.C. § 316(e) (emphasis added). Thus, a much lower burden of proof governs an invalidity challenge

in an IPR than in an action in federal district court. Second, and relatedly, IPR removes the presumption of validity. Under 35 U.S.C. § 282(a), patents are presumed to be valid in district court proceedings. There is no such presumption of validity in IPRs. Third, IPRs only involve the question of invalidity, without any analysis of infringement. In contrast, district courts decide both validity and infringement, applying the same claim construction to both questions. Lastly, the PTO applies a broader claim construction standard to the claim language than district courts. The PTO promulgated a regulation that provides "[a] claim in an unexpired patent shall be given its *broadest reasonable construction* in light of the specification of the patent in which it appears," 37 C.F.R. § 42.100(b) (emphasis added). On the other hand, a district court gives claim language its "ordinary and customary meaning," which is "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention." *Phillips*, 415 F.3d at 1313 (Fed. Cir. 2005). This difference is of paramount importance and is challenged here.

The results demonstrate that these proceedings (IPRs and district court litigation of invalidity) are no substitute for each other. Studies have shown that the rate of invalidation in judicial proceedings is just under 50%.[3] Yet, that includes *all* causes of

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[3] *See* John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205-206 (1998) (reporting that about 48% of all litigated claims are found to be invalid); *see also* Mark A. Lemley, *An Empirical Study of the Twenty-Year Patent Term*, 22 AIPLA Q.J. 369, 420 (1994) (reporting an invalidity rate of about 44%); Robert P Merges, *Commercial Success and Patent Standards: Economic*

invalidation, and not just invalidation for lack of novelty or obviousness. Invalidation for these two causes is limited to about 33% of litigated patents. John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 209 (1998). In contrast, the rate of invalidation in IPR proceedings exceeds 75% of all claims where a petition is granted. Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. REV. 881, 926 (2015). In sum, a much higher percentage of patent claims are being invalidated in IPRs. This very high rate of IPR invalidation occurs in large measure because of the application of broader claim construction principles, coupled with the inability of the patent owner to modify the claims to eliminate the artificially broad construction applied by the PTO in IPRs. The different claim construction rules used in IPRs have allowed accused infringers to offer a claim construction in IPR that is far broader than the claim construction they offer in an infringement action in federal district court.[4] The result is that patent

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Perspectives on Innovation, 76 CAL. L. REV. 803, 822 (1988) (same).

[4] There is virtually no consequence to the accused infringer taking inconsistent claim construction positions in IPRs and in district court litigation, given the fact that these adjudicatory proceedings use different claim construction principles. Petitioners in IPRs are not bound by their inconsistent positions in related litigation because of these differing standards. *See, e.g., Cellular Communs. Equip. LLC v. HTC Corp.*, Case No. 6:13-cv-507, 2015 U.S. Dist. LEXIS 70135, at *21-22 (E.D. Tex. June 1, 2015) ("To whatever extent the petitioners in the IPR proceedings proposed constructions broader than what Defendants propose in the present litigation, the difference may be accounted for by the difference in claim construction standards between the two proceedings.").

owners are required to defend their patents in IPRs using an artificial claim construction that is broader than that which is applied in litigation.

This case presents an opportunity to bring the claim construction used in IPRs into line with other adjudicatory proceedings.

SUMMARY OF ARGUMENT

While Congress purportedly created IPRs as a surrogate for district court litigation of validity questions, applying two different claim constructions in the two separate adjudicatory proceedings results in different answers to the same question of patent validity. The broadest reasonable interpretation—an expedient used by examiners in examination—has no place in an adjudicatory proceeding such as an IPR, wherein the PTO is being asked to resolve a dispute between two adverse parties, who are likely also involved in a separate litigation to resolve the same dispute in federal district court under a different standard for determining the boundary of the property right. Rather, in such a setting, the PTO should apply the proper interpretation of claim language, which is the standard of claim construction applicable in other adjudications, *i.e.*, district court litigation. Moreover, this claim construction standard most closely aligns with the purported intent of the AIA to provide an alternative adjudication proceeding as opposed to another examination proceeding. The only reason to apply the different broadest reasonable interpretation standard to IPRs is an effort to diminish or eliminate the patent property right by increasing the likelihood that the issued patent claims will be invalidated entirely.

"A patentee discloses his invention to the public in exchange for a limited monopoly, as defined by the claims of the patent. To invalidate those claims using a different standard than one that considers the true meaning and scope of a claim would violate the bargain the patentee struck with the public." *In re Cuozzo*, 793 F.3d at 1301. Not only would it violate that bargain, but using a different standard to invalidate claims, namely the broadest reasonable interpretation, constitutes a taking of private property without any compensation.

Both the Patent Act and this Court's jurisprudence classify patents as property. 35 U.S.C. § 261 (2012); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U. S. 722, 730 (2002). The recent *Horne* decision further indicated that the Takings Clause of the Fifth Amendment applies to patents. *Horne v. Dep't of Agric.*, 135 S. Ct. 2419, 2426 (2015). While *Horne* did not discuss the circumstances under which takings would apply to patents, as that was not the question presented, under this Court's precedent in *Loretto*, it would constitute a *per se* physical taking because the PTO's use of the broadest reasonable interpretation in IPRs alters the settled boundaries of the patent claims. *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419, 435 (1982). In the alternative, under this Court's precedent in *Penn Central*, it would constitute an economic, regulatory taking as the application of the broadest reasonable interpretation to invalidate claims constitutes a substantial deprivation of a patent's value, especially in individual cases wherein patent claims are cancelled under the PTO's application of the broadest reasonable interpretation in IPRs. *Penn Central Transportation Co. v. New York City*, 438 U.S. 104,

124 (1978); *E. Enterprises v. Apfel*, 524 U.S. 498, 523-24 (1998) (plurality opinion) (quoting *Kaiser Aetna v. United States*, 444 U.S. 164 (1979)).

In any event, under the doctrine of constitutional avoidance, *Ashwander v. TVA*, 297 U.S. 288, 345-48 (Brandeis, J., concurring) (1936), this Court can avoid potentially difficult constitutional issues that result from the PTO's regulation adopting the broadest reasonable interpretation by finding that the AIA contemplates the implementation of a claim construction standard that is used in other adjudicatory proceedings, *i.e.*, district court litigation.

ARGUMENT

I. APPLICATION OF THE BROADEST REASONABLE INTERPRETATION IN *INTER PARTES* REVIEW

A. Pre-AIA Claim Interpretation

The broadest reasonable interpretation is applied in an original prosecution of a patent as an expedient. *Zletz*, 893 F.2d at 322 (justifying the application of the broadest reasonable interpretation during original prosecution because "[o]nly in this way can uncertainties of claim scope be removed, as much as possible, during the administrative process."). Applying such a construction allows an examiner to cast a wide net for prior art and to expansively apply the prior art found. *Id.* ("The reason is simply that during patent prosecution when claims can be amended, ambiguities should be recognized, scope and breadth of language explored, and clarification imposed."). Examination is blind to infringement; that question is never considered

during examination proceedings. Accordingly, an examiner applies the broadest construction uninhibited by any concern that his or her interpretation of the claim language would apply in subsequent infringement litigation. During the original prosecution, application of the broadest reasonable interpretation is counter-balanced by a right to amend claims to more precisely define the claimed invention. *In re Yamamoto,* 740 F.2d 1569, 1571 (Fed. Cir. 1984) (explaining "[t]he PTO broadly interprets claims *during examination* of a patent application since the applicant may 'amend his claims to obtain protection commensurate with his actual contribution to the art. Applicants' interests are not impaired since they are not foreclosed from obtaining appropriate coverage for their invention with express claim language.'") (emphasis added).[5]

During litigation, however, courts apply the ordinary and customary meaning of the claims as understood by a person of ordinary skill in the art at the time of the invention, when viewed through the prism of the patent specification and the prosecution record (hereinafter this construction methodology will be referred to as the "proper interpretation" as it best reflects the actual scope of the claims). *See, e.g., Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015) ("[I]f a district court resolves a dispute between experts and makes a factual finding that, in general, a certain term of art had a particu-

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[5] While this is true during an original examination, this does not hold true during any subsequent reexamination or post grant review proceedings, as amending claims will give rise to intervening rights. *See, e.g., Marine Polymer Techs., Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1361–62 (Fed. Cir. 2012).

lar meaning to a person of ordinary skill in the art at the time of the invention, the district court must then conduct a legal analysis: whether a skilled artisan would ascribe that same meaning to that term in the context of the specific patent claim under review "); *see also Phillips v. AWH Corp.*, 415 F.3d at 1313 ("The inquiry into how a person of ordinary skill in the art understands a claim term provides an objective baseline from which to begin claim interpretation."). This interpretation best reflects the proper scope of a patent owner's property.

Prior to the enactment of the AIA, post grant proceedings such as *ex parte* and *inter partes* reexamination existed. These proceedings were treated as examinations. While the PTO may have applied the broadest reasonable interpretation in those proceedings, it was coupled with a broad right to amend. *In re Yamamoto*, 740 F.2d at 1572 ("Appellant therefore had an opportunity during reexamination in the PTO to amend his claims to correspond with his contribution to the art."). *Amici*, however, do not suggest that the application of the broadest reasonable interpretation in *inter partes* reexamination was proper. Where a third party is seeking to invalidate a patent claim and that third party is permitted full participation in the PTO proceeding to do so, the fundamental nature of the proceeding is changed such that the rationale for using the broadest reasonable interpretation (*i.e.*, an expedient for examiners to test the boundaries of the claims) simply vanishes. This is especially true where the proceeding at issue is now an adjudication instead of an examination, as in IPRs.

B. Post-AIA Claim Interpretation

Congress was clear that IPRs are not merely a new post-grant *examination* proceeding. The House report accompanying the bill stated, "[t]he Act converts *inter partes* reexamination from an examinational to an adjudicative proceeding." H.R. Rep. No. 112–98, pt. 1, at 46. The PTO itself recognized this change stating "[a]n *inter partes* review is neither a patent examination nor a patent reexamination. Rather, it is a trial, adjudicatory in nature and constitutes litigation." *Google, Inc. v. Jongerius Panoramic Techs.*, LLC, IPR2013-00191, Paper No. 50, at 4 (P.T.A.B. Feb. 13, 2014). While an original prosecution is a non-adversarial proceeding designed to precisely capture the novel, non-obvious aspects of an invention, IPRs are an adversarial proceeding serving as a tool for third parties—usually accused infringers[6]—to make invalidity challenges against issued claims.

In the vast majority of cases, IPR petitions are submitted by a defendant in response to the filing of a patent infringement lawsuit on the same patent.[7] For several reasons, IPRs are popular with companies facing infringement suits. First, the claim language is interpreted more broadly by the PTO

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[6] Or other "rent seekers." *See Dubious Patent Reform*, 56 B.C. L. REV. at 931-47.

[7] As of June 30, 2015, 83.4% of *inter partes* reviews concerned patents involved in concurrent litigation. *Just the Stats: Percentage of IPRs with a Concurrent Litigation*, FITZPATRICK: POST GRANT HQ (June 30, 2015), http://www.postgranthq.com/statistics/scatter-plot-of-claims-found-unpatentable-in-final-decisions-from-fchs-data/.

than by a court.[8] As explained *supra*, the PTO's regulation adopts the broadest reasonable interpretation, thereby returning claims to their pre-issuance state.

Second, there is no trade-off on patent scope because infringement is not at issue before the PTO. Usually claim language is construed the same for both validity and infringement. *In re Cuozzo Speed*, 793 F.3d at 1305 (Fed. Cir. 2015) ("Claims of issued patents are construed the same way for validity as for infringement; no precedent, no practical reality, authorizes or tolerates a broader construction for one than the other."). This ensures a level playing field: if a patentee seeks an expansive interpretation of its claims in its infringement case, it does so at the risk of that interpretation capturing the prior art and thereby invalidating its patent. Conversely, an alleged infringer seeking a narrow construction to avoid infringement will concurrently weaken its invalidity arguments by excluding certain prior art. By creating an adjudicative process that only addresses validity, the AIA provides accused infringers with the benefits of both worlds. The broad claim construction positions advocated by a petitioner in an IPR are *only* applied to the petitioner's invalidity challenges. Accordingly, a petitioner is free to argue for the broadest of constructions without any concern about what such a broad construction would do to his

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[8] *See, e.g., Jack Henry and Associates, Inc. v. Datatreasury Corp.*, CBM2014-00056, July 10, 2014, Paper No. 17 at 6 ("Petitioner argues that the district court's interpretation should be adopted, but provides no persuasive analysis as to how the term is to be interpreted under the broadest reasonable interpretation standard, *which is different from the standard used by a district court*.") (emphasis added).

or her non-infringement position, because the infringement analysis is conducted by courts under a different claim construction standard – the proper interpretation of the claims. As a result, petitioners press far broader constructions than they would advocate in court, without any estoppel effect because of the different claim construction standards. *See, e.g., PPC Broadband, Inc. v. Corning Optical Communs. RF, LLC*, 2015-1361, 2015-1366, 2015-1368, 2015-1369, 2016 U.S. App. LEXIS 3022 (Fed. Cir. Feb. 22, 2016) ("Under the [PTO's] construction, there is no requirement of consistent or continuous contact through the post and the nut. Because the [PTO's] construction does not include this additional temporal limitation, it is broader than PPC Broadband's proposed construction. Thus, while the [PTO's] construction is not the correct construction under *Phillips*, it is the broadest reasonable interpretation of 'continuity member,' and because this is an IPR, under our binding precedent, we must uphold the [PTO's] construction of 'continuity member' and 'electrical continuity member.'"); *Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1328 (Fed. Cir. 2015) (in another post-grant review proceeding involving a covered business method patent, the PTO rejected the district court's construction in favor of a construction under the broadest reasonable interpretation, which resulted in a finding of unpatentability). Therefore, the patent owner receives the worst of both worlds: an artificially broad invalidity analysis in an IPR proceeding, where the patent may be exposed to much more prior art than it would be at the district court, and an infringement analysis in district court conducted under a narrower claim construction standard than that used to determine

the validity of the claim. These two adjudicatory processes, using different claim construction standards have clearly stacked the deck against patent owners.

Finally, Section 282(a) of the Patent Act provides a patent with a presumption of validity, and correspondingly, a defendant must prove invalidity by clear and convincing evidence in a court of law. *Microsoft Corp. v. i4i Ltd. Partnership*, 564 U.S. 91 (2011). Patents, however, are not given the benefit of a presumption of validity in an IPR or the accompanying requirement that invalidity be proven by clear and convincing evidence.[9] Rather, in an IPR, a petitioner only needs to prove invalidity by a preponderance of the evidence.

Unlike examination, the adjudicative IPR proceeding provides for both expert declarations and deposition testimony. Accordingly, like district courts, the PTO has the evidence necessary to apply the proper interpretation to the claims in IPRs. Nonetheless, the PTO's regulation adopts the examination claim construction standard and directs the PTO to apply the broadest reasonable interpretation of claim language. 37 C.F.R. § 42.100(b). The application of the broadest reasonable interpretation in combination with the restrictions placed on a patent owner's right to amend the claims effectively ties the hands of patent owners, thus explaining the very high rate of invalidation in IPRs.[10]

Under current IPR regulations, a patent owner must file a motion to amend its claims, 37 C.F.R. §

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[9] 35 U.S.C. §§ 316(e); 326(e).

[10] *Supra* at 8.

42.121, and the Patent Owner bears the burden of proof to establish that it is entitled to the relief requested in the motion to amend. *See, e.g., Google Inc., et al. v. Micrografx, LLC*, IPR2014-00532, Order 20 at 3 (citing 37 C.F.R. § 42.20(c)). The absence of a *right* to amend claims means that patent owners have no ability to bring the PTO's broadest reasonable interpretation in line with the proper interpretation of the claims that properly reflects the scope of the invention. In other words, patent owners cannot amend their claims to reflect a narrower scope that aligns with the narrower construction that would apply in the district court litigation.[11] When the Patent Office applies the broadest reasonable interpretation to a patent's claims, it exposes the patent to attack from prior art that potentially would not have been relevant under a district court's narrower interpretation of the patent.

In effect, the PTO's regulation (Section 42.100(b)) creates a new substantive invalidity hurdle that patent owners must clear. To prevail in both an IPR and in district court litigation, the patent owner must satisfy the standards of Sections 102 and 103 both when its claims are construed pursuant to the proper interpretation of its claim language, *and when its claims are construed under the broadest reasonable interpretation.* Not only did the AIA create this new patentability hurdle, but it

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[11] Even if a patent owner could amend during an IPR, it would potentially give rise to intervening rights, which has the effect of eviscerating damages in district court litigation, even though the patent owner is seeking nothing more than the same claim construction that it advocates in the district court. *See, e.g., Marine Polymer Techs., Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1361–62 (Fed. Cir. 2012).

has been applied retroactively to patents that issued prior to the effective date of the AIA.[12]

The PTO's regulation regarding claim construction in IPRs changes the settled scope of claims in an adjudicative process. Prior to the PTO's adoption of the regulation, patent owners understood that the issued claims in their patents would either (1) be given their proper interpretation in adjudication; or (2) be given the broadest reasonable interpretation during reexamination with a concurrent right to amend the claims to narrow that broader interpretation. Patent owners made investments based on this understanding, as described *infra* Section III.B. In the newly instituted IPR proceedings, a new and different interpretation is being given to the claims, without any effective recourse to amend the claims. Had patent owners been aware that their patent claims might subsequently be treated in this fashion, they could have taken precautionary measures by submitting more and narrower claims in their patent applications, in an attempt to eliminate the artificially broad interpretation used in post-issuance IPRs. The Federal Circuit has recognized that "[i]t is at best incongruous to apply a trial court procedural rule to the examination of claims in the PTO." *In re Etter*, 756 F.2d at 859. The converse holds true as well: it is at best incongruous to apply an examination procedural rule to a trial of patent claims.

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12 Greg Dolin & Irina D. Manta, *Taking Patents*, 72 WASH. & LEE L. REV. at 17-18.

II. THE TAKINGS CLAUSE APPLIES TO PATENTS AS PERSONAL PROPERTY.

The Takings Clause of the Fifth Amendment provides that "private property" shall not "be taken for public use, without just compensation." U.S. CONST. AMEND. V Both the Patent Act and this Court recognize that patents are personal property. *See, e.g.*, 35 U.S.C. § 261 (2012) ("[P]atents shall have the attributes of personal property."); *Festo Corp.*, 535 U. S. at 730 (A patent "is a property right").

Until recently, there was uncertainty in the law as to whether the Takings Clause applied to personal property, such as patents, as well as real property. *Horne v. Dep't of Agric.*, 135 S. Ct. 2419, 2426 (2015) (granting certiorari on this question). *Horne*, however, resolved the question unambiguously: "Nothing in the text or history of the Takings Clause, or our precedents, suggests that the rule is any different when it comes to appropriation of personal property. The Government has a categorical duty to pay just compensation when it takes your car, just as when it takes your home." *Id.*

In so deciding, the Court quoted a passage from *James v. Campbell*, 104 U.S. 356, 358 (1882) that specifically addressed patents:

> "[A patent] confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without

> compensation land which has been patented to a private purchaser."

Id. The only reasonable conclusion to draw from the Court's quotation of *James* in its opinion is that the Takings Clause applies equally to patents. *See also* Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents under the Takings Clause*, 87 B.U. L. REV. 689, 700-11 (2007) (discussing nineteenth-century case law in which courts applied the Takings Clause to patents). Left unanswered by the Court, however, are questions as to under what circumstances and how the Takings Clause applies to patents, as there are no cases to date that apply modern Takings Clause jurisprudence to patents. This Court's earlier Takings jurisprudence indicated that "repeal [of patent laws], however, can have no effect to impair the right of property then existing in a patentee or his assignee, according to the well-established principles of this court." *McClurg v. Kingsland*, 42 U.S. (1 How.) 202, 206, 11 L. Ed. 102 (1843) (citing *Soc'y for the Propagation of the Gospel in Foreign Parts v. New Haven*, 21 U.S. (8 Wheat.) 464 (1823) (which applied the same principle to real property rights)).

III. THE BROADEST REASONABLE INTERPRETATION IN POST-ISSUANCE PROCEEDINGS WITHOUT A RIGHT TO AMEND IS AN UNCONSTITUTIONAL TAKING.

A. A Physical Taking Has Occurred

When describing property rights associated with patents, an analogy to land is often drawn.

Such an analogy, as this Court has explained, is apt, because a "patent for an invention is as much property as a patent for land [and] [t]he right rests on the same foundation, and is surrounded and protected by the same sanctions." *Consol. Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876).

Like the boundaries of a physical parcel of land that are defined by metes and bounds, the boundaries of a patent are defined by its claims and their interpretation. *See* Christopher A. Cotropia, *Patent Claim Interpretation Methodologies and Their Claim Scope Paradigms*, 47 WM. & MARY L. REV. 49, 64-65 (2005); *In re Vamco Mach. & Tool, Inc.*, 752 F.2d 1564, 1577 n.5 (Fed. Cir. 1985) ("claims are not technical descriptions of the disclosed inventions but are legal documents like the descriptions of lands by metes and bounds in a deed which *define the area* conveyed but *do not describe the land*.") (emphasis in original). When the government invades a land owner's property by moving the boundaries, it constitutes a *per se* compensable taking, even if the invasion is minimal. *See Loretto*, 458 U.S. at 435 (explaining that a regulation that requires an owner to suffer a permanent physical invasion of her property—however minor—is a taking).

Similarly, the PTO's regulation, which adopts the broadest reasonable interpretation, qualifies as a *per se* physical taking under this Court's precedents. The regulation effects a change in the boundaries of personal property, a patent, by altering the scope of its claims. *McClurg* 42 U.S. at 206. The PTO granted the patent owner a property right with specified bounds: the bounds established by the proper interpretation of the words used, which will be applied

when the patent owner pursues its statutory remedy for infringement under 35 U.S.C. § 271. By applying the expansive broadest reasonable interpretation standard to post-issuance proceedings, the PTO unilaterally altered the bounds of that right to the detriment of the patent owner.

While the regulation artificially broadens the scope of a claim, a broader claim is just as—if not more—problematic than a narrower claim. Broader claims have a higher chance of reading on the prior art and therefore being found invalid. The application of the broadest reasonable interpretation is particularly pernicious because it effects a change in a claim's boundaries that more often than not results in a complete deprivation of private property, *i.e.*, the cancellation of patent claims to which a patent owner was entitled under pre-AIA standards. *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 350 (1971) (holding that once a patent claim is declared invalid it cannot be asserted against anyone else). As the facts of this case demonstrate, the application of the broader construction is merely a vehicle to invalidate claims.

In addition to a takings theory based on the adoption of a PTO regulation itself, a takings theory can be articulated by individual patent owners under the following scenario: (1) a patent issued prior to the effective date of the AIA, (2) after the PTO regulations go into effect, a post-grant review is filed, (3) the PTO applies the broadest reasonable interpretation, (4) the PTO invalidates at least one patent claim, and (5) the patent claim is or would have been determined to be valid under the proper litigation construction. *See, e.g., Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1313, 1328 (Fed. Cir.

2015) (explaining a jury found the patent-at-issue not invalid, infringed, and the Federal Circuit upheld those determinations, but in a subsequent post-grant review proceeding under the AIA called covered business method patent review, the PTO applied the broadest reasonable interpretation, rejected the district court's claim construction, and found all claims unpatentable under Section 101).

This Court held in *Loretto* that the government cannot change the boundaries of the property owner's rights without triggering the Just Compensation Clause of the Fifth Amendment. *See Loretto*, 458 U.S. at 435 (explaining that depriving the owner of a part of his property, *i.e.*, changing the boundaries of his property rights, works a taking); *Taking Patents* at 46-47 Simply put: the forced changes in the previously settled boundaries of the property constitute a *per se* taking.

B. A Regulatory Taking Has Occurred.

Even in cases where there is neither a physical invasion nor a complete deprivation of value, the *Penn Central* case ensures that property owners who do not suffer a physical taking or a total deprivation of value are not without a remedy. *Penn Central Transportation Co. v. New York City*, 438 U.S. 104 (1978). This Court provides three factors to consider in identifying a regulatory taking: "[1] the economic impact of the regulation, [2] its interference with reasonable investment-backed expectations, and [3] the character of the governmental action," including whether the taking was a physical taking or merely had the effect of a taking. *E. Enterprises v. Apfel*, 524 U.S. 498, 523-24 (1998) (plurality opinion) (quoting *Kaiser Aetna v. United States*, 444 U.S. 164 (1979)). As opposed to a *per se* taking, under *Penn*

Central, courts are required to engage in an "essentially ad hoc and fact intensive" balancing inquiry. *Penn Central*, 438 U.S. at 124.

Turning to the first factor enunciated in *E. Enterprises*, *i.e.*, the economic impact of the regulation, research conducted by some *amici* shows the economic impact of current IPR proceedings, including the application of the broadest reasonable interpretation, is quite severe: "the value of patents has dropped by two thirds since and because of the AIA, with a further drop of 10-15% expected in the next few years." *Taking Patents* at 64-65. IPRs impose challenges to licensing patents and patent owners have even faced threats of IPRs to induce them to settle cases or to lower potential licensing rates. *Id.* at 65. Even where some interest remains in personal property, a taking can occur. *Horne v. Dep't of Agric.*, 135 S. Ct. at 2426 (2015).

Second, with respect to reasonable investment-backed expectations, patent owners invested in prosecution to obtain patents, paid maintenance fees, and filed expensive patent infringement cases, with the expectation that the issued claims of patents would be interpreted under the then-existing standards. Before the implementation of the AIA, in 2010 alone the PTO collected approximately $2.068 billion in fees from companies and individuals. *See* United States Patent and Trademark Office, Performance and Accountability Report Fiscal Year 2010 at 54-55 (showing "fiscal year fee collections" for years 2006-2010, with maintenance fees for issued patents comprising 35.8% of the fees collected) available at http://www.uspto.gov/sites/default/files/about/stratplan/ar/USPTOFY2010PAR.pdf. This investment was made with the expectation that the bounds of patent

claims are established as of the issue date. Retroactively changing the fixed boundaries by applying the broadest reasonable interpretation to an adjudicatory proceeding unilaterally weakens the patent owner's rights.

Furthermore, patent owners in litigation rely on an interpretation of the patent consistent with that applied by a district court. Whereas the patentees carefully crafted their language and addressed it to a reasonable artisan, the Patent Office requires that claims be reviewed under a different standard—one that is contrary to these "expectations." The AIA-created procedures thus significantly interfere with patentees' "investment-backed expectations."

Lastly, it is true that even post-AIA, the value of some patents is not reduced to zero, and therefore (if viewed through the regulatory takings prism), the AIA-created mechanism is not a *per se* taking like the one in *Lucas v South Carolina Coastal Council*, 505 U.S. 1003, 1018 (1992). But courts have not insisted on a total loss of value to find a taking under *Penn Central*, instead requiring significant reduction in value as a result of the government's actions. *See, e.g., Yancey v. United States*, 915 F.2d 1534 (Fed. Cir. 1990) (holding that a 77% loss of the value of a flock of turkeys after a quarantine regulation was enacted was a compensable taking); *Cienega Gardens v. United States*, 331 F.3d 1319 (Fed. Cir. 2003) (ruling that a statutory amendment that voided the claimant's right to pre-pay a government mortgage was a compensable taking, simply because it was *possible* that a 96% diminution in return on investment would result).

The loss of value that the AIA visited on the patentees is not significantly matched by any bene-

fits that have accrued to the public as a result of the new law. The authors of the Act proclaimed that it would "provide[] more certainty, and reduce[] the cost associated with filing and litigating patents," 410 H.R. Rep. No. 112-98, pt. 1, at 42, or speed the resolution of invalidity claims. But the exact opposite has happened. *See* Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. REV. 881 (2015). Thus, the "nature of the government's action" was not to broadly benefit the public, but to make it easier for some accused patent infringers to avoid having to bear the costs of their infringement. *See* Terry Ludlow, *Technology Patent Licensing Trends in 2015 and Beyond*, CORP COUNSEL, Apr. 17, 2015, http://www.law.com/sites/articles/2015/04/17/technology-patent-licensing-trends-in-2015-and-beyond/#ixzz3js6qPOfP ("Look for more holdout behavior from defendants as there is little incentive to settle early. Before making any settlement offers, patents will be thoroughly tested through IPR filings. ").

Under the *Penn Central* analysis, the PTO's regulation constitutes a regulatory taking.

IV. WHETHER OR NOT A TAKING CAN BE FOUND, THE DOCTRINE OF CONSTITUTIONAL AVOIDANCE COUNSELS STATUTORY CONSTRUCTION THAT AVOIDS A CONSTITUTIONAL ISSUE.

"It is a time-honored doctrine that statutes and regulations are first examined by a reviewing court to see if constitutional questions can be avoid-

ed." *Wyman v. James*, 400 U.S. 309, 345 n.7 (1971) (citing *Ashwander v. TVA*, 297 U.S. 288, 345-48 (1936) (Brandeis, J., concurring)). The premise of constitutional avoidance is that "Congress did not intend" any meaning of a statute or regulation "which raises serious constitutional doubts." *Clark v. Martinez*, 543 U.S. 371, 381 (2005). The doctrine of constitutional avoidance has been applied where "significant constitutional questions [are] raised by [an agency's] application of their regulations." *Solid Waste Agency v. United States Army Corps of Eng'rs*, 531 U.S. 159, 174 (2001).

Here, the statute implementing *inter partes* review is entirely silent on the claim construction standard to be used. *In re Cuozzo*, 793 F.3d at 1275. In fact, "[n]o section of the patent statute explicitly provides that the broadest reasonable interpretation standard shall or shall not be used in *any* PTO proceedings." *Id.* at 1276 (emphasis added). Nonetheless, because the statute's intent was to create an adjudicatory proceeding, a reasonable interpretation of the statute would require that the PTO implement a claim construction standard that is used in other adjudicatory proceedings.

Given the constitutional issues raised herein by the PTO's regulation, however, the latter should be adopted as the correct standard, if for no other reason than the application of the constitutional avoidance doctrine. In the proceedings below, the Federal Circuit upheld the PTO's broadest reasonable interpretation standard in part because it concluded that the PTO has rulemaking authority under the patent statute. *Id.* at 1278–79. Therefore, the court applied the *Chevron* test to the PTO's interpretation, and made no mention of constitutional avoid-

ance. *See id.* However, this Court has repeatedly held that the doctrine of constitutional avoidance applies even when the agency at issue has rulemaking authority: "Where an administrative interpretation of a statute invokes the other limits of Congress' power, we expect a clear indication that Congress intended that result." *Solid Waste Agency*, 531 U.S. at 172 (citing *Edward J. Debartolo Corp. v. Florida Gulf Coast Building & Construction Trades Council*, 485 U.S. 568, 575 (1988)). And that, "where an otherwise acceptable construction of a statute would raise serious constitutional problems, the Court will construe the statute to avoid such problems unless such construction is plainly contrary to the intent of Congress." *Debartolo*, 485 U.S. at 575.

In this case, Congress was silent as to the claim construction standard the PTO should apply in post-issuance proceedings. Therefore, an interpretation of the statute that requires the proper claim construction standard to be applied would not be "plainly contrary to the intent of Congress." Rather, applying the proper interpretation used in litigation—as opposed to the broadest reasonable interpretation standard previously used only as an expedient in *examination*—would be consistent with Congress's direction that "[t]he Act converts *inter partes* reexamination from an examinational to an adjudicative proceeding." H.R. Rep. No. 112–98, pt. 1, at 46.

Furthermore, as discussed herein, the broadest reasonable interpretation standard does raise significant constitutional problems. "[W]hen deciding which of two plausible statutory constructions to adopt, a court must consider the necessary consequences of its choice. If one of them would raise a

multitude of constitutional problems, the other should prevail." *Clark*, 543 U.S. at 380–81. Therefore, the only result consistent with this Court's precedent is to construe the litigation standard of claim interpretation to post-issuance proceedings, thereby obviating the need to address the constitutional questions herein.

CONCLUSION

For the foregoing reasons, the Federal Circuit's holding that the broadest reasonable interpretation applies to IPRs should be reversed.

Respectfully submitted.

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CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE FEDERAL CIRCUIT BAR ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

Page

INTEREST OF *AMICUS CURIAE* 1

INTRODUCTION AND SUMMARY OF ARGUMENT 2

ARGUMENT 4

I. CLAIMS SHOULD BE CONSTRUED IN IPR PROCEEDINGS AS THEY ARE IN DISTRICT COURT 4

A. The Court has established appropriate rules for claim construction 4

B. The BRI standard arose from, and should be limited to, examination practice 6

II. THE BOARD'S USE OF THE BRI STANDARD REDUCES CERTAINTY, PREDICTABILITY, AND FAIRNESS IN THE PATENT SYSTEM 9

A. Multiple validity standards frustrate the value of providing the public with notice 9

B. The use of the BRI standard in IPR proceedings decreases predictability 11

Page

C. **The application of different validity standards results in unfairness** 14

CONCLUSION 16

TABLE OF AUTHORITIES

Page(s)

Cases

Abbott Labs. v. Cordis Corp.,
710 F.3d 1318 (Fed. Cir. 2013) 7

Cimiotti Unhairing Co. v. Am. Fur Ref. Co.,
198 U.S. 399 (1905) 5

Cont'l Paper Bag Co. v. E. Paper Bag Co.,
210 U.S. 405 (1908) 5

ePlus, Inc. v. Lawson Software, Inc.,
790 F.3d 1307 (Fed. Cir. 2015) 12, 13

Facebook, Inc. v. Pragmatus AV, LLC,
582 F. App'x 864 (Fed. Cir. 2014) 12

Ford Motor Co. v. Paice LLC,
IPR2014-00884, 2015 WL 8536739 (P.T.A.B. Dec. 10, 2015) 13

Garmin Int'l, Inc. v. Cuozzo Speed Techs, LLC,
IPR2012-00001, 108 U.S.P.Q.2d 1852 (P.T.A.B. Nov. 13, 2013) 13

In re Cuozzo Speed Techs., LLC,
793 F.3d 1268 (Fed. Cir. 2015) 3, 8, 11, 14

In re Cuozzo Speed Techs., LLC,
793 F.3d 1297 (Fed. Cir. 2015) 6, 8, 14

Page(s)

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756 F.2d 852 (Fed. Cir. 1988) 7

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127 F.3d 1048 (Fed. Cir. 1997) 7

Marine Polymer Tech., Inc. v. Hemcon, Inc.,
672 F.3d 1350 (Fed. Cir. 2012) 15

Markman v. Westview Instruments, Inc.,
517 U.S. 370 (1996) 4

Microsoft Corp. v. Proxyconn, Inc.,
789 F.3d 1292 (Fed. Cir. 2015) 12

Nautilus, Inc. v. Biosig Instruments, Inc.,
134 S. Ct. 2120 (2014) 10

Oracle Corp. v. Crossroads Sys. Inc.,
IPR2014-01207, 2016 WL 380195 (Jan. 29, 2016)
..... 13

Phillips v. AWH Corp.
415 F.3d 1303 (Fed. Cir. 2005) 5, 6, 12

Power Integrations, Inc. v. Lee,
797 F.3d 1318 (Fed. Cir. 2015) 13

PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC,
___ F.3d ___, No. 2015-1364, 2016 WL 692369
(Fed. Cir. Feb. 22, 2016) 11

Page(s)

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___ F.3d ___, Nos. 2015-1361, 2015-1369, 2015-1366, 2015-1368, 2016 WL 692368 (Fed. Cir. Feb. 22, 2016) 11

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355 F.3d 1353 (Fed. Cir. 2004) 10

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IPR2015-01170, 2015 WL 7304685 (P.T.A.B. Nov. 16, 2015) 13

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119 U.S. 47 (1886) 5

Statutes

35 U.S.C. § 112(b) (2012) 10

35 U.S.C. § 251 (2012) 7

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Page(s)

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Eric C. Cohen, *A Primer on Inter Partes Review, Covered Business Method Review, and Post-Grant Review before the Patent Trial and Appeal Board*, 24 FED. CIR. B. J. 1, 18 (2014) 12

H.R. Rep. No. 112–98, pt. 1 (2011) 7

MPEP § 2011.01 (9th ed. Rev. 7, Nov. 2015) 6

MPEP § 2111.01 (9th ed. Rev. 7, Nov. 2015) 12

MPEP § 2173 (9th ed. Rev. 7, Nov. 2015) 10

Saurabh Vishnubhakat et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, BERKELEY TECH. L. J. (forthcoming 2016)..... 9

INTEREST OF *AMICUS CURIAE*

Amicus curiae the Federal Circuit Bar Association (the "Association") [1] is a national organization for the bar of the Court of Appeals for the Federal Circuit.[2] The Association was organized to unite the different groups that practice within the legal community of the Federal Circuit, and its membership includes private and government attorneys, federal judges, law clerks, and others. The Association offers a forum for common concerns and dialogue between bar and court, government counsel and private practitioner, litigator, and corporate counsel.

Many members of the Association work in the area of patent law. Despite their diversity of practices and interests, the members of the Association share an interest in settled, reliable jurisprudence regarding important issues in patent law. This is particularly true with regard to the law of claim construction. As a part of their practices, the members of the Association rely on the determinations of both district courts and the Patent

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[1] No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, its members, or its counsel made a monetary contribution to its preparation or submission. Further, in the Association, no government board or association members participated in the decision to file the amicus brief or in shaping the contents of the brief.

[2] Respondent's written consent to this filing is submitted herewith. Petitioner consented to the filing of *amicus curiae* briefs in support of either party or neither party in a docket entry dated February 3, 2016.

and Trademark Office ("PTO") regarding the scope of claims in issued patents, and thus the members have an interest in predictable, certain rules regarding the interpretation of such claims.

INTRODUCTION AND SUMMARY OF ARGUMENT

The Association submits this *amicus curiae* brief to recommend a rule under which the Patent Trial and Appeal Board (the "Board") must construe patent claims in *inter partes* review ("IPR") proceedings according to the same standard that is used by district courts.[3]

The use of a single claim construction standard for both IPRs and district court litigation is legally appropriate and would add certainty and simplicity to the law governing patents.

The American Invents Act ("AIA") created both IPRs and the Board in 2012. In an IPR proceeding, a panel of judges from the Board decides whether a petitioner has proved that claims in an issued patent are unpatentable. The Board renders its decision after litigation-like proceedings (that may include discovery, depositions, expert testimony, briefing, and oral argument) in which the petitioner has the burden of proof. 35 U.S.C. § 316 (2012).

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[3] The Association expresses no opinion on the second issue on which the Court granted certiorari: the judicial reviewability of the Board's decision to institute IPR proceedings.

The validity of a patent claim is determined by its scope, and therefore the outcome of IPR proceedings is often determined by how the Board construes patent claims. Because IPR proceedings are analogous to district court patent validity litigation in which claim construction is also of critical importance, and there is a preexisting standard for construing claims in that context, the Board should adhere to that established standard when construing claims in an IPR.

Instead, the Board in this case and in other IPR decisions chose to use the "broadest reasonable interpretation" ("BRI") standard, which has its origins in the examination of patent applications. This choice cannot be reconciled with the purpose of IPR proceedings, and is not justified by the PTO's custom of applying the BRI standard in other contexts. Consistency within the PTO is cited as one reason to apply the BRI standard in IPR proceedings, *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1279 (Fed. Cir. 2015), but consistency with district courts is a more pressing concern. Most IPR proceedings involve patents that are (or become) the subject of district court litigation. The standard of claim construction should not depend on the forum in which validity is argued and adjudicated.

Having two alternative frameworks for interpretation conflicts with a key value of the patent system: the patent is supposed to give clear notice to the public of what it means. This value requires a single meaning for claim terms, not two or more depending on the forum. In addition, the use of a non-litigation standard in IPR proceedings

disrupts the patent system whether or not any particular claim actually receives a "broader" construction under the BRI standard. Because claims in district court are construed the same way for validity as they are for infringement, unfairness can result whenever the two standards do lead to different outcomes. In such cases, the Board's use of a non-litigation standard forces patentees to defend claim scope that they would never have been able to assert — and even amendment (if available) may not correct this problem, due to the possible assertion of an intervening rights defense.

A variety of stakeholders devote substantial resources to adjudication of patent rights. These include the parties on both sides of patent disputes and the attorneys who advise and represent them. These stakeholders, as well as the public, would benefit from having a single standard for assessing the validity of claims in both IPRs and district court litigation.

ARGUMENT

I. CLAIMS SHOULD BE CONSTRUED IN IPR PROCEEDINGS AS THEY ARE IN DISTRICT COURT

A. The Court has established appropriate rules for claim construction

A patent claim is that "portion of the patent document that defines the scope of the patentee's rights." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996).

In 1836, Congress first required that a patent specification include "claims," in which the inventor "shall particularly specify and point out the part, improvement or combination, which he claim as his own invention or discovery." Act of July 4, 1836, Ch. 357, 5 Stat. 117, 119 (1836). Since then, this Court has consistently required that district courts construe patent claims according to the plain meaning that the claims would have had to a skilled artisan. "The claim is a statutory requirement, prescribed for the very purpose of making the patentee define precisely what his invention is; and it is unjust to the public, as well as an evasion of the law, to construe it in a manner different from the plain import of its terms." *White v. Dunbar*, 119 U.S. 47, 52 (1886). "In making his claim the inventor is at liberty to choose his own form of expression, and while the courts may construe the same in view of the specifications and state of the art, they may not add to or detract from the claim." *Cimiotti Unhairing Co. v. Am. Fur Ref. Co.*, 198 U.S. 399, 410 (1905). "[T]he claims measure the invention. They may be explained and illustrated by the description. They cannot be enlarged by it." *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 419 (1908).

In accordance with these directives, district courts employ the so-called *Phillips* standard in construing disputed terms in patent claims. *Phillips v. AWH Corp.* 415 F.3d 1303 (Fed. Cir. 2005) (en banc). Under *Phillips*, claim terms are "generally given their ordinary and customary meaning" as understood by a person of ordinary skill in the art at the time of the invention, as informed by the

specification and the prosecution history of the patent. *Id.* at 1312, 1316, 1317.

B. The BRI standard arose from, and should be limited to, examination practice

When the PTO examines a patent application in the first instance, the PTO examiner gives claims their interpretation under the BRI standard. MPEP § 2011.01 (9th ed. Rev. 7, Nov. 2015).

The PTO's use of the BRI standard in examination has traditionally been justified because it helps examiners work with patentees to define the "metes and bounds" of patent rights *before* claims issue. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1297, 1300 (Fed. Cir. 2015) (Prost, J., dissenting from denial of rehearing en banc). The premise is that a "broadest reasonable" interpretation gives examiners flexibility in identifying prior art that is arguably covered by an applicants' claims, forcing applicants to stake out the boundaries of their inventions with greater clarity. As the Federal Circuit noted in upholding the use of the BRI standard in examination, "[i]t would be inconsistent with the role assigned to the PTO in issuing a patent to require it to interpret claims in the same manner as judges" because "[t]he process of patent prosecution is an interactive one. Once the PTO has made an initial determination that specified claims are not patentable, the burden of production falls upon the applicant to establish entitlement to a patent. This promotes the development of the written record before the PTO that provides the requisite written notice to the public as to what the

applicant claims as the invention." *In re Morris*, 127 F.3d 1048, 1054 (Fed. Cir. 1997) (citations omitted).

While the application of the BRI standard in reissuance and reexamination is more controversial, these proceedings are different from IPRs in that they are arguably more concerned with defining the metes and bounds of the claims rather than with adversary proceedings about the patent. *See, e.g.*, *In re Etter*, 756 F.2d 852, 859 (Fed. Cir. 1988) (en banc) (noting that in reexamination "claims can be amended and new claims added, *and where no litigating adversary is present*") (emphasis added), *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) (noting that the purpose of creating IPR proceedings was "to 'convert[] inter partes reexamination from an examinational to an adjudicative proceeding'") (alteration in original) (quoting H.R. Rep. No. 112–98, pt. 1, at 46 (2011)). Accordingly, whether or not the BRI standard is appropriate for reissue or reexamination proceedings, it is not appropriate for IPRs.[4]

In IPR proceedings, only the *validity* of patent claims is at issue. The focus is not on the prospective benefit of clarifying claim language, but on the scope of the grant actually made to the

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[4] Moreover the use of the BRI standard in the reissue and reexamination contexts is arguably justified by statutory language requiring these proceedings to operate as examination: 35 U.S.C. § 251 (2012) allows the PTO to reissue a patent only "on the surrender of such patent," and 35 U.S.C. § 305 (2012) requires a reexamination to "be conducted according to the procedures established for initial examination." By contrast, the AIA contains no similar language requiring claims in IPR proceedings to be submitted to examination.

patent-holder. Moreover, an IPR proceeding is fundamentally adversarial — a "surrogate" for district court litigation. *In re Cuozzo Speed Techs.*, 793 F.3d at 1284 (Newman, J., dissenting). As the dissenters from the denial of Cuozzo's petition for rehearing en banc observed:

> [A]n IPR is a curtailed, trial-like proceeding meant to efficiently resolve a challenge to patent validity. It may only be instituted on limited grounds, and must conclude within one year (unless extended for six months upon a showing of good cause). The proceeding consists of a brief period of discovery, one round of briefing by the petitioner and challenger, and an oral hearing, before the Board issues its final decision. Given the absence of examinational hallmarks justifying the broadest reasonable interpretation standard in other contexts, and the similarities to district court litigation, it is unclear to us why the district court standard should not apply.

In re Cuozzo Speed Techs., 793 F.3d at 1301 (Prost, J., dissenting) (citations omitted).

The parallels between district court litigation and IPR proceedings go beyond the fact that they can decide the same issue and have similarities in procedure. As empirical studies have shown, most patents in IPR proceedings are (or become) the subject of district court litigation between the same

parties.[5] The use of a single standard in both proceedings would promote consistency in outcomes, and reduce the number of disputes that reach both forums simply because one party believes that the law might be more favorable in a second forum.

II. THE BOARD'S USE OF THE BRI STANDARD REDUCES CERTAINTY, PREDICTABILITY, AND FAIRNESS IN THE PATENT SYSTEM

A. Multiple validity standards frustrate the value of providing the public with notice

There are many reasons that having two different claim construction standards for validity challenges violates procedural fairness and simple common sense. For example, having different standards for interpreting patent claims apply

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[5] *See, e.g.*, Saurabh Vishnubhakat et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, BERKELEY TECH. L. J. (forthcoming 2016) (manuscript at 24) (noting that 70% of IPR petitioners had previously been defendants in litigation involving the patents at issue); Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. CHI. L. REV. DIALOGUE 93, 103 (2014) ("Overall, in 80 percent of IPRs, the challenged patent was also asserted in litigation between the petitioner and respondent"). Inter partes reexamination, the infrequently used predecessor of IPR proceedings, was similarly an adjunct to litigation. *See, e.g.*, U.S. Patent and Trademark Office, *Ex Parte Reexamination Filing Data – September 30, 2014* (last updated July 8, 2015), http://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up_EOY2014.pdf (76% of all inter partes reexaminations through September 2014 related to patents known to be in litigation).

depending on where a party chooses to challenge a patent's validity violates one of the most fundamental concerns of the patent system: that the patent, as written, provide the public with notice as to the scope of its claims.

The concern that patents give the public clear notice of what is claimed is central to how the patent system works. *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014) ("a patent must be precise enough to afford clear notice of what is claimed"); *PSC Comput. Prods, Inc. v. Foxconn Int'l, Inc.*, 355 F.3d 1353, 1360 (Fed. Cir. 2004) ("[t]he ability to discern both what has been disclosed and what has been claimed is the essence of public notice"). The PTO's own manual of examining procedure emphasizes that "it is of utmost importance that patents issue with definite claims that clearly and precisely inform persons skilled in the art of the boundaries of protected subject matter," and refers to this notice function as the "primary purpose" of the statutory requirement that claims "particularly point[] out and distinctly claim[] the subject matter" of an invention. MPEP § 2173 (9th ed. Rev. 7, Nov. 2015); 35 U.S.C. § 112(b) (2012).

The Board's use of the BRI standard in IPR proceedings is at odds with this mandate, as in some instances it may *require* different governmental entities to assign different meanings to the same words. If the requirement of notice to the public means anything, it means that patents have a particular meaning — not one or more meanings depending on where a party decides to challenge the patent. The purpose of notice to the public is

undermined when tribunals "charged with determination of patent validity as a matter of law could validly reach a different result on the same evidence." *In re Cuozzo Speed Techs.*, 793 F.3d at 1290 (Newman, J., dissenting). This basic concern militates in favor of having only one standard, not two.

B. The use of the BRI standard in IPR proceedings decreases predictability

In requiring practitioners to assess patent validity under two standards, the use of the BRI standard in IPR proceedings also needlessly complicates patent analysis and diminishes predictability. *Compare PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, ___ F.3d ___, No. 2015-1364, 2016 WL 692369, at *5 (Fed. Cir. Feb. 22, 2016) (finding that the difference in claim construction standards did not determine the outcome) *with PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, ___ F.3d ___, Nos. 2015-1361, 2015-1369, 2015-1366, 2015-1368, 2016 WL 692368, at *4 (Fed. Cir. Feb. 22, 2016) (finding that the difference in claim construction standards was "outcome determinative"). Patent practitioners now have to analyze and attempt to advise their clients about how patents will fare under two sets of rules, increasing costs and decreasing the ability of patent-holders and accused infringers to have settled expectations. The Board's decision ensures that the IPR system, instead of being simply a faster and more efficient complement to district court litigation, remains a fundamentally different process with a separate body of decisional law.

This problem arises even if the BRI standard and the district court standard as a practical matter lead to the same result in many cases. Complicated jurisprudence exists attempting to delineate the substantive differences between the standards, with some cases and commentators suggesting that the differences are small or non-existent,[6] and others expressing the view that the BRI standard generally leads to "broader" constructions (i.e., constructions that expand the scope of potentially invalidating prior art).[7]

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[6] *See, e.g.*, Eric C. Cohen, *A Primer on Inter Partes Review, Covered Business Method Review, and Post-Grant Review before the Patent Trial and Appeal Board*, 24 FED. CIR. B. J. 1, 18 (2014) (questioning whether there is "much, if any, difference in the application" of the standards); *compare Phillips*, 415 F.3d at 1312–17 (district courts should give claims their "ordinary and customary meaning" as understood by a person of ordinary skill in the art, as informed by the specification and prosecution history) *with Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015) (BRI standard "does not include giving claims a legally incorrect interpretation," "must be consistent with the one that those skilled in the art would reach," and considers claims in light of both the specification and the prosecution history, when available). *See also* MPEP § 2111.01 (9th ed. Rev. 7, Nov. 2015) (repeatedly quoting *Phillips* to explain aspects of the BRI standard).

[7] *See, e.g., ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307, 1314 (Fed. Cir. 2015) (Moore, J., dissenting) (arguing that the BRI standard "makes invalidation based on prior art easier"), *Facebook, Inc. v. Pragmatus AV, LLC*, 582 F. App'x 864, 869 (Fed. Cir. 2014) (nonprecedential) (noting that claim scope under BRI "may be the same as or broader" than claim scope under *Phillips*), Dawn-Marie Bey & Christopher A. Cotropia, *The Unreasonableness of the Patent Office's 'Broadest Reasonable Interpretation' Standard*, 37 AIPLA Q. J. 285, 303 (2009) (noting that the BRI rule "necessarily contemplates a

Whatever the outcome of this debate,[8] the Board's use of a non-litigation standard introduces undesirable and counterproductive strategic considerations into the patent system. Parallel standards uniquely incentivize parties to take extreme positions to test the boundaries of the rules, or to otherwise engage in gamesmanship. *See, e.g.*, *ePlus*, 790 F.3d at 1314, 1314 n.1 (Moore, J., dissenting) (questioning the "wisdom and propriety of the applicability of the [BRI] standard in IPR proceedings" in case where defendant sought to "rely on the PTO" to "undo" a loss in district court). Because of its use of a different standard, the Board is not bound by previous judicial constructions of disputed terms,[9] and the extent to which the Board must even consider such constructions is unclear. *Power Integrations, Inc. v. Lee*, 797 F.3d 1318, 1326–

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larger resulting claim scope than a district court would determine").

[8] In this case, Cuozzo contended before the Board that the Board's BRI construction of a claim was too narrow in one respect, while the Board acknowledged that Cuozzo's proposed construction was "not broader" but "diametrically different." *Garmin Int'l, Inc. v. Cuozzo Speed Techs, LLC*, IPR2012-00001, 108 U.S.P.Q.2d 1852 (P.T.A.B. Nov. 13, 2013).

[9] *Compare Solid, Inc. v. Corning Optical Commc'ns Wireless Ltd.*, IPR2015-01170, 2015 WL 7304685 (P.T.A.B. Nov. 16, 2015) (rejecting district court's construction of disputed term and deciding to institute IPR) *and Ford Motor Co. v. Paice LLC*, IPR2014-00884, 2015 WL 8536739, at *5 (P.T.A.B. Dec. 10, 2015) (rejecting district court's construction of disputed term and invalidating claim) *with Oracle Corp. v. Crossroads Sys. Inc.*, IPR2014-01207, 2016 WL 380195, at *4 (Jan. 29, 2016) (adopting district court's claim construction "[a]lthough we are not bound by the construction or reasoning of the district court").

27 (Fed. Cir. 2015) (suggesting that the Board has an obligation to "acknowledge" prior judicial constructions, but expressly declining to hold "that the board must in all cases assess a previous judicial interpretation of a disputed claim term"). If the Board employed the same standard as district courts, each forum would address prior constructions made in the other, increasing the consistency of outcomes.

C. The application of different validity standards results in unfairness

Because infringement is assessed according to the district court standard, unfairness can result from the Board's use of a different standard in IPR proceedings.

Whenever the BRI construction is broader than the district court construction, the Board's use of the BRI construction in an IPR proceeding requires a patent-holder to defend a claim scope that it never received from the PTO. *In re Cuozzo Speed Techs.*, 793 F.3d at 1305 (Prost, J., dissenting). As there is no objective standard for the "broadest" interpretation required by the BRI rule, the patent-owner cannot even anticipate in advance what this scope will be.

The interaction between the much-debated availability of amendment during IPR and intervening rights is another potential source of unfairness. During an IPR proceeding, the right to amend is "cabined," *In re Cuozzo Speed Techs.*, 793 F.3d at 1278, but it is sometimes available. 35 U.S.C. § 316(d) (2012). But "amended or new claim[s] determined to be patentable" are subject to

intervening rights. 35 U.S.C.§ 318(c) (2012). Application of the BRI rule in an IPR proceeding may end up giving a patent owner the Hobson's choice of either amending claims to clarify that they have only the scope that they would have been given in district court (and exposing itself to an assertion of intervening rights), or having the Board find its claims unpatentable. *See, e.g., Marine Polymer Tech., Inc. v. Hemcon, Inc.*, 672 F.3d 1350, 1362-63 (Fed. Cir. 2012) (en banc) (rejecting intervening rights when PTO initially construed the claims more broadly than the district court only because there was no formal amendment). The fact that this curious result can occur in IPR proceedings is purely a consequence of the Board's choice to follow the BRI rule.

CONCLUSION

Patent claims should be given the same scope in IPR proceedings that they are given in district court. The Federal Circuit's decision to allow the Board to construe claims according to a different standard deprives bench, bar, and litigants alike of the clarity of having a single standard. Consistent with basic fairness, predictability, and the purpose of IPR proceedings, the Court should uphold the principle that there is only one way to assess the validity of a claim in an issued patent.

Respectfully submitted,

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CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE INTELLECTUAL PROPERTY LAW ASSOCIATION OF CHICAGO AS AMICUS CURIAE ON PETITION FOR WRIT OF CERTIORARI IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

I. INTEREST OF *AMICUS CURIAE* 1

II. SUMMARY OF ARGUMENT 2

III. ARGUMENT 6

A. The Purpose of The AIA's *Inter Partes* Review Process Is To Promote Economic Efficiency, Not To Invalidate Patents 6

B. A Clear, Single Standard of PTAB Judicial Review Is Required To Achieve The AIA's Goal of Economic Efficiency. 9

C. This Court Should Require the PTAB to Employ the Federal Circuit Claim Construction Standard of "Plain And Ordinary Meaning" in IPR Proceedings 11

IV. CONCLUSION 14

TABLE OF AUTHORITIES

Page

Cases:

Belden Inc. v. Berk-Tek LLC, Nos. 2014-1574, 1576 (Fed. Cir. Nov. 5, 2015) 9

Cmty. For Creative Non-Violence v. Reid, 490 U.S. 730 (1989).....13

Idle Free Systems, Inc. v. Bergstrom, Inc., Case IPR2012-00027 (JL), 2013 WL 5947697 (June 11, 2013) 8

In re Buszard, 504 F.3d 1364 (Fed. Cir. 2007) 10

In re Cuozzo Speed Technologies, LLC, 778 F.3d 1271 (Fed. Cir. 2015).....13

In re Cuozzo Speed Technologies, LLC, 793 F.3d 1268 (Fed. Cir. 2015).....6, 12, 13

In Re Prater, 415 F.2d 1393 (Ct. Cust. App. 1969) 10

In re Rambus, Inc., 753 F.3d 1253 (Fed. Cir. 2014) 13

In re Zletz, 893 F.2d 319 (Fed. Cir. 1989) 10

Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996).....12

Markman v. Westview Instruments, Inc., 52 F.3d 967 (Fed. Cir. 1995) 9

Nautilus, Inc. v. Biosig Instruments, Inc., 572 U. S. ____, 134 S.Ct. 2120 (2014),.....12

Phillips v. *AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc) 3, 11, 13

Teva Pharm. USA, Inc. v. Sandoz, Inc., 135 S. Ct. 831, 836 (2015) 11

Constitutional provisions:

U.S. Const., Art I, Sec, 8, cl. 8. 6

Statutes and regulations:

America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) ..... 2, *passim*

Patent Act, 35 U.S.C. 1 *et seq.*:

35 U.S.C. 6(c) 8

35 U.S.C. 112(b) 12

35 U.S.C. 311(a),(b) 7

35 U.S.C. 312(a)(3) 7

35 U.S.C. 313 7

35 U.S.C. 316(a)(5) 7, 8

35 U.S.C. 316(a)(8) 8

35 U.S.C. 316(a)(10) 8

35 U.S.C. 316(a)(11) 8

35 U.S.C. 316(a)(13) 8

35 U.S.C. 316(c) 8

35 U.S.C. 141(c) 8

37 C.F.R.:

42.51 ..... 7, 8

42.70 8

42.120 8

42.121 ..... 5, 8

Miscellaneous:

157 Cong. Rec. S7413 (Nov. 14, 2011) (Statement of Rep. Smith).....6, 9

77 Fed. Reg. 7080, 7081 (Feb. 10, 2012).....6

Cert. Pet., *Cuozzo Speed Technologies, LLC, v. Michelle K. Lee,* No. 15-446 (Oct. 6, 2015).....7

H. R. Rep. No. 112-98, pt. 1(2011).....6

Gregory Dolin, Dubious Patent Reform, 56 B.C. L. Rev. 881 (2015).....3

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Sarnoff & Manzo, An Introduction to, Premises of, and Problems With Patent Claim Construction, in PATENT CLAIM CONSTRUCTION IN THE FEDERAL CIRCUIT 9 (E. Manzo ed. 2014).....5, 10, 12

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I. INTEREST OF *AMICUS CURIAE*

The Intellectual Property Law Association of Chicago ("IPLAC") submits this brief as *amicus curiae* in support of Petitioners on the first question presented in the case.[1,2,3] Founded in 1884, the Intellectual Property Law Association of Chicago is a voluntary bar association of over 1,000 members who practice in the areas of patents, trademarks, copyrights, trade secrets and the legal issues they

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[1] Pursuant to Supreme Court Rule 37.6, no counsel for a party authored this brief in whole or in any part or made a monetary contribution intended to fund preparation or submission of the brief, and no person other than the *amicus curiae*, its members, or its counsel, made such a monetary contribution.

[2] In addition to the required statement of footnote 1, IPLAC adds that after reasonable investigation, IPLAC believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than IPLAC, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[3] Pursuant to Supreme Court Rule 37.2, counsel of record received timely notice of the intent to file this brief under the Rule and consent was granted.

present. Located in Chicago, a principal forum for U.S. patent litigation, IPLAC is the country's oldest bar association devoted exclusively to intellectual property matters. Its members include attorneys in private and corporate practices before federal bars throughout the United States, as well as the U.S. Patent and Trademark Office and the U.S. Copyright Office. IPLAC represents both patent holders and other innovators in roughly equal measure. In litigation, IPLAC's members are split roughly equally between plaintiffs and defendants. As part of its central objectives, IPLAC is dedicated to aiding in the development of intellectual property law, especially in the federal courts.[4]

II. SUMMARY OF ARGUMENT

IPLAC supports Petitioners' request to grant *certiorari* to clarify that the same standard applies to claim construction regardless of forum. The 2011 Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284, was designed in large measure to improve the climate for investment and industrial activity. Its thrust is twofold: improving the quality of patents in the system and reducing unnecessary litigation costs. It attempts the former by removing invalid patents from enforceability. It attempts the latter by shifting patent validity disputes from the courts to the USPTO, the expert agency charged with granting or denying patents.

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[4] Although over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way regarding this brief.

The AIA therefore established a new post-grant adjudicatory process for challenging patent validity under Sections 102 and 103 of the Patent Act. To administer the process, the AIA created a new body called the Patent Trial and Appeal Board, or PTAB, staffed with administrative law judges. Located within the existing Patent and Trademark Office, the PTAB employs an adjudicative proceeding known as *inter partes* reviews, or IPR. IPR is intended as a less expensive surrogate for litigation. IPR has no relationship to the previous practice of patent re-examination within the USPTO.

As Petitioners have documented, IPRs to date have resulted in an unexpectedly high rate of cancellation of patent claims. Pet. Br. (I). One reason is presumably that the PTAB applies a broader standard of claim construction than the federal courts. *See* Paul R. Michel, *Why Rush Patent Reform?*, 7 LANDSLIDE 49, 51 (2015); Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. Rev. 881, 916 (2015). By construing claims more broadly than the courts, the PTAB necessarily considers a larger universe of prior art. It also heightens the impact of a given piece of art. This concomitantly increases the likelihood of finding a patent either anticipated under Section 102 or as obvious under Section 103.

The PTAB's claim construction standard for *inter partes* review is decidedly inconsistent with the standard used by federal courts. When construing claims in accordance with applicable law, federal courts must construe claims according to their plain and ordinary meaning. *Phillips* v. *AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc). An IPR Board, however, applies the "broadest reasonable construction" consistent with the specification.

Promoting the progress of the useful arts requires not only awarding valid patents but also a non-arbitrary system for challenging or upholding them. A non-arbitrary system requires that the standards for challenging or upholding validity be the same regardless of the chosen forum. To achieve its constitutional purpose, the patent system must also strike an appropriate balance between rights holders and other innovators. It cannot, and should not, attempt to tilt the playing field based on popular perceptions or political winds. IPLAC therefore supports Petitioners in urging this Court to grant *certiorari*. The Court should clarify that the proper standard for claim construction in assessing validity of an issued patent does not depend on whether the forum is a district court or the PTAB.

Nothing in the AIA, moreover, requires that IPR Boards employ a "broadest reasonable" claim construction. To the contrary, such construction is an anachronistic holdover from the USPTO's examination and re-examination processes. In those proceedings, the USPTO examines prior art and raises potential arguments against patentability using the "broadest reasonable interpretation" of the claims consistent with the patent's specification. The applicant then has the opportunity to amend its claims in view of the prior art to point out more particularly the invention claimed. In this give-and-take examinational process, a "broadest reasonable interpretation" makes perfect sense. In the context of the AIA's *inter partes* reviews it does not.

IPRs differ substantially from USPTO patent examinations and pre-AIA re-examinations. The process is adversarial, not examinational. Nor is the IPR Board authorized to conduct its own prior art

searches. The ability to amend claims is extremely limited. See 37 C.F.R. 42.121 (new claims limited to one-for-one replacement of existing claims; burden on patentee to demonstrate patentability of claims affirmatively before amendment allowed). In practice the ability to amend is all but illusory.

Thus, the IPR process lacks the back-and-forth of patent prosecution or re-examination. Rather, IPRs are adversarial and adjudicatory, as is district court litigation – merely streamlined. Its exclusive central features are (1) "non-notice" (fact-specific) pleading by challengers; (2) fact-specific responsive pleading by patent owners; (3) cross-examination of experts employed by affidavit, limited to seven hours, following the challenge and response; (4) a reply; and (5) a one hour lawyers' oral argument with exclusion of a "full" record. And fundamentally unlike patent examinations, IPRs involve only patents already granted. As such, the patent holder already owns a property right with established metes and bounds. Respect for that property right demands a fundamentally different kind of review from patent examination.

Both the AIA's IPR process and district court litigation are adjudicatory. The consistent claim construction standard of the Federal Circuit is "plain and ordinary meaning." *See generally* Sarnoff & Manzo, An Introduction to, Premises of, and Problems With Patent Claim Construction, in PATENT CLAIM CONSTRUCTION IN THE FEDERAL CIRCUIT 9 (E. Manzo ed. 2014). IPLAC therefore supports Petitioners in urging this Court to clarify that the litigation standard – "plain and ordinary meaning" – should apply in IPRs as well.

III. ARGUMENT

A. The Purpose of the AIA's *Inter Partes* Review Process Is to Promote Economic Efficiency, Not to Invalidate Patents.

The purpose of U. S. patent law is "to promote the Progress of Science and the Useful Arts ... " U.S. CONST., Art I, Sec, 8, cl. 8. The AIA is consistent with that purpose. It seeks to improve the climate for investment and industrial activity by improving the quality of patents and by reducing unnecessary litigation costs. *See* H. R. Rep. No. 112-98, pt. 1, at 39-40 (2011); *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 1285 (Fed. Cir. 2015) (Newman, J., dissenting); Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080, 7081 (Feb. 10, 2012).

By their very nature, invalid patents exclude competitors from the marketplace who merely practice known art or obvious improvements. Excluding such competitors impedes the progress of the useful arts by permitting "owners" of invalid patents to monopolize technologies or to charge others monopoly prices to practice them.

At the same time, Congress has concluded that the existing patent litigation system unnecessarily imposes unneeded litigation and ancillary costs. *See* H.R. Rep. No. 112-98, Pt. 1, at 39-40 (2011). This frustrates the purpose of the Constitution's patent clause and undermines the value of the U. S. patent system.

By enacting the AIA, Congress has created a streamlined adjudicatory process – *inter partes*

review, or IPR. Central to the AIA's IPR scheme is having a reliable early indicator of a patent's quality. Thus, after a patent issues, the AIA provides for an *inter partes* review by technology-trained patent-savvy adjudicators. *See* 157 Cong. Rec. S7413 (Nov. 14, 2011) (Statement of Rep. Smith). This new *inter partes* review is distinct from pre-AIA patent re-examination procedures.

Under pre-existing law, a party could challenge an issued patent's validity through *inter partes* re-examination. *See* Cert. Pet. 2-3. But that process, unlike IPR, was examinational in nature. Specifically, re-examination allowed patent examiners to search for potentially invalidating prior art. Re-examination also freely permitted amendments by the patent owner.

In contrast, IPR is an adjudicatory proceeding. The USPTO Director serves as gate-keeper, while the parties present the arguments and art. A challenger to validity of an existing patent files a petition with the PTO, *see* 35 U.S.C. 311(a), limited to Section 102 (novelty) or 103 (obviousness) on the basis of prior art patents or printed publications. 35 U.S.C. 311(b). The petition must identify with particularity both the grounds and the evidence that challenge each claim. 35 U.S.C. 312(a)(3). The patentee may then file a preliminary response setting forth why the PTO should not institute *inter partes* review. 35 U.S.C. 313.

If the PTAB institutes IPR, the patentee may conduct limited discovery, including depositions of petitioner's declarants. *See, e.g.,* 35 U.S.C. 316(a)(5); 37 C.F.R. 42.51. The patentee may also respond with particularity to the petition and file supporting

affidavits or declarations. *See* 35 U.S.C. 316(a)(8); 37 C.F.R. 42.120. If the patentee responds, petitioner may conduct limited discovery, including depositions of the patentee's declarants, and may file a reply. See 35 U.S.C. 316(a)(5), (13); 37 C.F.R. 42.51. Either party may request an oral hearing. *See* 35 U.S.C. 316(a)(10); 37 C.F.R. 42.70. A panel of at least three administrative patent judges conducts the hearing. *See* 35 U.S.C. 6(c), 316(c). The proceeding excludes live witnesses and relies on the parties' paper submissions and attorney argument. *See* 35 U.S.C. 316(a)(10); 37 C.F.R. 42.70.

Patent examination of necessity considers patentable subject matter under Section 101. In contrast, IPR arguments are limited to Section 102 novelty and Section 103 obviousness. Prior art is limited to patents and printed publications. The IPR process streamlines and stages discovery and, absent good cause shown, requires a final written decision within twelve months. 35 U.S.C. 316(a)(11). IPR decisions of the PTAB are directly reviewable by the U. S. Court of Appeals for the Federal Circuit. 35 U.S.C. 141(c).

Absent good cause shown, motions to amend are limited to one per patent, only after conferring with the Board. 37 C.F.R. 42.121(a), (c). As in the case below, IPR Boards routinely deny such motions. *See, e.g., Idle Free Systems, Inc. v. Bergstrom, Inc.*, Case IPR2012-00027 (JL), 2013 WL 5947697, at *7 (June 11, 2013). Since the AIA took effect in September 2012, parties have filed over 3,400 IPR petitions. U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics 8/31/2015, *available at* http://www.uspto.gov/sites/default/files/documents/2015-08-31%20PTAB.pdf. As of June 15, 2015, the

PTAB had allowed motions to amend in only four IPR proceedings. *See* "PTAB Allows Motion to Amend in IPR Challenging Neste Oil Patent," MANAGING INTELLECTUAL PROPERTY, June 15, 2015, *available at* http://www.finnegan.com/news/news-detail.aspx?news=d0d18aee-10e8-4511-bfa5-3b2962da1a39. In practice, then, the right to amend has been largely illusory.

In sum, to improve patent quality and to reduce litigation costs, the AIA created IPRs as "an inexpensive and speedy alternative to litigation." 157 Cong. Rec. S7413 (Nov. 14, 2011) (Statement of Rep. Smith). The process bears little, if any, resemblance to any previous proceedings within the USPTO. *Cf. Belden Inc. v. Berk-Tek LLC*, Nos. 2014-1574, 1576 (Fed. Cir. Nov. 5, 2015), slip. op. at 8-9 (description of process).

B. A Clear, Single Standard of PTAB Judicial Review is Required to Achieve the AIA's Goal of Economic Efficiency.

To achieve the AIA's aims, two adjudicative bodies reviewing the same patent's validity over the same prior art should reach the same result. Indeed, it would frustrate the intent of Congress and the purpose of the Constitution's patent clause to do otherwise. All adjudications therefore require a clear, single standard applicable to all such reviews, irrespective of the reviewing body.

As with patent infringement, the prerequisite for determining patent validity is claim construction. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 996 n. 7 (Fed. Cir. 1995) (Mayer, J., concurring) ("A claim must be construed before determining its validity just as it is first construed before deciding

infringement"), *aff'd*, 517 U.S. 370 (1996); *see generally* Sarnoff & Manzo, An Introduction to, Premises of, and Problems With Patent Claim Construction, in PATENT CLAIM CONSTRUCTION IN THE FEDERAL CIRCUIT 9 (E. Manzo ed. 2014) ("Patent claims ... should be construed from an objective perspective of a [skilled artisan], based on what the applicant actually claimed, disclosed, and stated during the application process.") A patent's claims determine its metes and bounds and therefore what distinguishes it from the prior art. This establishes novelty; that is, what makes the patent neither anticipated under Section 102 nor obvious under Section103.

Without guidance from the Congress or this Court, the PTAB has been construing patent claims in IPRs under the standard PTO examiners use in examining patents prior to issue. *See, e.g., In Re Prater*, 415 F.2d 1393, 1405 (Ct. Cust. App. 1969) ("[C]laims yet unpatented are to be given the broadest reasonable interpretation consistent with the specification during the examination of a patent application since the applicant may then amend his claims, the thought being to reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified."); *In re Buszard,* 504 F.3d 1364, 1366–67 (Fed. Cir. 2007) ("[T]he patent examiner and the applicant, in the give and take of rejection and response, work toward defining the metes and bounds of the invention to be patented."); *In re Zletz,* 893 F.2d 319, 322 (Fed. Cir. 1989) ("During patent prosecution is when claims can be amended, ambiguities should be recognized, scope and breadth of language explored, and clarification imposed.");

see generally U.S. Patent and Trademark Office, Manual of Patent Examining Procedure (9th ed., Mar. 2014) § 2111 (requiring application of the "broadest reasonable interpretation" to pending claims).

But district courts are bound by this Court's and Federal Circuit law to give claims their "plain and ordinary meaning." *Phillips*, 415 F.3d at 1312. The difference between the two is believed to be the reason for the alarmingly high rate of IPR claims cancellation to date. According to Petitioners, as high as 85% of all IPRs result in cancelling at least one claim. Pet. Br. (I).

At best, the application of two different standards invites confusion and forum-shopping. Because the IPR board is a surrogate for the district court, the two standards should be the same.

C. This Court Should Require the PTAB to Employ the Federal Circuit Claim Construction Standard of "Plain And Ordinary Meaning" in IPR Proceedings.

Congress could not be clearer that the IPR process should be a cost-effective surrogate for litigation. *In re Cuozzo Speed Technologies*, 793 F.3d at 1285 (Newman, J., dissenting). Both administrative adjudication under the AIA and district court adjudication are reviewable by the same court, namely the United States Court of Appeals for Federal Circuit. Although factual determinations underpinning the district court's claim construction may be entitled to deference, *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 574 U.S. ___ , 135 S. Ct. 831, 836 (2015), the Federal Circuit reviews all legal aspects of the claim construction *de novo*. That *de novo*

review, as does the district court's construction, requires giving the claims their plain and ordinary meaning. *Phillips,* 415 F.3d at 1312; *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

A valid patent must "distinctly claim" the inventor's invention. 35 U.S.C. § 112(b). A proper claim construction is therefore an essential element of promoting the progress of the useful arts. Specifically, a proper claim construction is central not only to an infringement analysis but also to a patent's validity. *Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 U. S. ____, 134 S.Ct. 2120, 2128 (2014) (citing Sarnoff & Manzo, *supra*). While the former determines the scope of the patent holder's right to exclude, the latter determines the right to exclude at all.

Applying differing standards to a claim construction reached under an IPR from one reached by a district court would be incoherent. In and of itself, that would mean that the patent challenger's choice of forum – *i.e.,* whether to file IPR petition or a federal lawsuit – could be dispositive, up to and including the Federal Circuit level. More important, it would unacceptably permit differing tribunals charged by the same Congress to reach differing results on the same evidence. *In re Cuozzo Speed Technologies, LLC*, 793 F.3d at 1285 (Newman, J., dissenting).

A coherent approach consistent with the language and intent of the AIA would be to apply the claim construction standard with which district courts and the Federal Circuit are already familiar. That standard is the "plain and ordinary meaning" of the claim language to one of ordinary skill in the art.

Phillips, 415 F.3d at 1312. That standard is particularly appropriate under the AIA because of the limited opportunity for claim amendment. As even the majority below recognized in both its original and amended opinions, even the USPTO does not employ the "broadest reasonable interpretation" when re-examining the claims of an expired patent because the patentee is unable to amend the claims. *In re Cuozzo,* 793 F.3d at 1276 n.6 (citing *In re Rambus, Inc.,* 753 F.3d 1253, 1256 (Fed. Cir. 2014)).

Nothing in the AIA, moreover, requires the IPR Board to employ the "broadest reasonable interpretation" for claim construction. To the contrary, a simple panel majority of two judges below decided that Congress "impliedly approved" the rule merely by creating the new IPR proceedings. *Id.* at 1277.

As this Court has long recognized, however, "Congress' silence is just that – silence." *Cmty. For Creative Non-Violence v. Reid,* 490 U.S. 730, 749 (1989). Here, the purpose of Congress was to create a streamlined alternative to district court litigation. As with district court litigation, the process is adjudicative, reviewable by the Federal Circuit. If the goal is to reach the same result on claim constructions, then the standard should be the same.

Indeed, if the standard is not the same, claim construction approaches and the law directed to claim construction will become increasingly muddled. Inevitably, law developed and refined by the Federal Circuit when addressing district court claim constructions under the "plain and ordinary meaning" standard will diverge from that arising when the Federal Circuit reviews decisions based on

the "broadest reasonable construction" standard. This would be a disservice to the patent community and has no place in patent law and no grounding in the AIA.

IV. CONCLUSION

For the reasons above, the Court should grant *certiorari* to clarify that the proper standard for claim construction in IPR proceedings, as in district court litigation, is the "plain and ordinary meaning" of the claims.

Respectfully submitted,

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No. 15-446

IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iv

INTEREST OF *AMICI CURIAE* 1

INTRODUCTION AND SUMMARY OF ARGUMENT 2

ARGUMENT 5

I. IT IS IMPERATIVE TO DETERMINE THE CORRECT CLAIM CONSTRUCTION STANDARD IN THE NEWLY CREATED IPR PROCEEDING 5

A. Supreme Court Review Traditionally Has Corrected the Course of Patent Jurisprudence When Special Rules Emerge to Create Unnatural Results, Such as Those in *In Re Cuozzo Speed Technologies* 5

B. This Standard Creates Material Uncertainty About Use of Patents to Protect Research and Development Investments 8

1. *Inter Partes Review Has Emerged as a Dominant Method of Invalidating Patents* 8

2. *The Standards Applied in IPR Significantly Impact a Company's Ability to Protect Its Product Development Investments* 11

C. Supreme Court Review of the *Cuozzo I* Decision is Necessary to Determine Whether Patent Examination Traditions Dictate Invalidity Analyses in New Adjudicatory IPR Proceedings 12

II. THE FEDERAL CIRCUIT'S DECISION TO UPHOLD THE USE OF THE BROADEST REASONABLE INTERPRETATION STANDARD FOR *INTER PARTES* REVIEW IS INCORRECT 14

A. Congress Expressly Provided for the Director to Use the Broadest Reasonable Interpretation Standard in *Inter Partes* Reexaminations 14

B. In the AIA, Congress Chose Not to Designate Examination Standards, such as the Broadest Reasonable Interpretation, For Use in *Inter Partes* Reviews 15

C. Congress Did Not Provide the Director the Authority to Prescribe Regulations Establishing a Claim Construction "Standard" for IPRs Apart from the Plain and Ordinary Meaning Established by the Judiciary 16

D. The *Cuozzo I* Panel Majority's Reliance on Section 316 as Support for Director Authority to Set Claim Construction Standards is Misplaced 17

E. The *Cuozzo I* Panel Majority's Reliance on the USPTO's Long History of Applying the Broadest Reasonable Interpretation Standard in Examination and Reexamination Proceedings is Misplaced .. 19

CONCLUSION 22

TABLE OF AUTHORITIES

Cases **Page**

Idle Free Systems v. Bergstorm,
2014 WL 824156 (Patent Tr. & App. Bd.)..... 19

eBay, Inc. v. MercExchange, LLC,
126 S. Ct. 1837 (2006),..... 6, 11

Google Inc. v. Jongerius Panoramic Techs., LLC,
IPR2013–00191, Paper No. 50 (Feb. 13, 2014))..19

In re Cuozzo Speed Technologies, LLC,
793 F.3d 1268 (Fed. Cir. 2015) (*Cuozzo I*) .. *passim*

In re Cuozzo Speed Technologies, LLC,
793 F.3d 1297 (Fed. Cir. 2015)
(*Cuozzo II*)..... 6, 7, 12, 13

In re Zletz,
893 F.2d 319 (Fed. Cir. 1989)..... 15

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005)..... 22

Peters v. Active Mfg. Co.,
129 U.S. 530 (1889)..... 7

Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.,
135 S. Ct. 831 (2015)..... 5, 6, 11

White v. Dunbar,
119 U.S. 47 (1886)..... 7

Statutes & Rules

35 U.S.C. § 102..... 11, 15, 16

35 U.S.C. § 103..... 11, 15, 16

35 U.S.C. § 132..... 14, 15

35 U.S.C. § 133 ..... 14, 15

35 U.S.C. § 311 ..... 16, 17

35 U.S.C. § 314 ..... 14, 15, 16, 17

35 U.S.C. § 316 ..... *passim*

Fed. R. Civ. P. 52 5

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2011 U.S.C.C.A.N. 67 ..... 8, 18

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U.S. Patent & Trademark Office Oct. 27, 2015, online at http://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up_EOY2014.pdf (visited Oct. 27, 2015) 9, 10

U.S. Patent & Trademark Office Oct. 27, 2015, online at http://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up_EOY2014.pdf (visited Oct. 27, 2015) 10

INTEREST OF *AMICUS CURIAE*

The Intellectual Property Owners Association (IPO) is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights.[1] IPO's membership includes more than 200 companies and over 12,000 individuals who are involved in the association either through their companies or as inventor, author, executive, law firm, or attorney members. Founded in 1972, IPO represents the interests of all owners of intellectual property. IPO regularly represents the interests of its members before Congress and the United States Patent and Trademark Office (USPTO) and has filed amicus curiae briefs in this Court and other courts on significant issues of intellectual property law. The filing of this brief was approved by the IPO Board of Directors. A list of IPO Board members can be found in the Appendix.[2]

As owners of intellectual property, the members of IPO believe that intellectual property rights promote the innovation, creativity, and investment necessary to address major global challenges and improve lives. We strive to maximize innovation across

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[1] No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae* or its counsel made a monetary contribution to its preparation or submission. Cuozzo consented to the filing of this brief via blanket consent letter filed on October 29, 2015. Respondent provided written consent for this brief submitted herewith.

[2] IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

all industries and improve lives throughout the world by fostering high quality rights and effective, harmonized systems to obtain and enforce them, on behalf of all our members.

IPO's corporate membership constitutes companies with valuable patent portfolios protecting their investment in research and development, as well as significant patent litigation dockets with claims of infringement lodged both by and against them. They also are engaged in numerous *inter partes* reviews (IPRs) as petitioners and patent holder respondents. As such, IPO provides an important perspective on the development and enforcement of patent rights before both the USPTO and the courts

INTRODUCTION AND SUMMARY OF ARGUMENT

IPO supports granting Cuozzo's Petition for a Writ of Certiorari to address the following question presented:

> Whether the court of appeals erred in holding that, in IPR proceedings, the Board may construe claims in an issued patent according to their broadest reasonable interpretation rather than their plain and ordinary meaning.[3]

This question addresses a legal issue that not only impacts the validity of thousands of patents currently the subject of IPR proceedings, but also the value of many more patents protecting significant investments in research and development across all indus-

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[3] IPO has no opinion on the remaining question presented in Cuozzo's petition for Writ of Certiorari.

tries, as such patents are subject to IPR challenges throughout their lifetimes.

This Court frequently addresses Federal Circuit opinions that create special standards for patent cases, and reconciles them with broader legal concepts. The issue presented in this petition is just such a question: whether traditions created by the USPTO in conducting examination and reexamination of patent applications and patent claims control interpretation of the American Invents Act (AIA), which creates a wholly new adjudicatory IPR proceeding designed as a surrogate for district court patent litigation.

In the present case, the Federal Circuit held that the Director of the USPTO has the authority to set the standard for claim construction in IPR proceedings. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1279 (Fed. Cir. 2015) (*Cuozzo I*). The panel majority based its reasoning in large part on the USPTO's tradition of applying the broadest reasonable interpretation (BRI) standard in examination and reexamination proceedings. This result is not authorized by the AIA. In enacting the AIA, Congress expressly intended to overcome the shortcomings of *inter partes* reexamination, which used the broadest reasonable interpretation standard, with new adjudicatory proceedings, including IPR. Congress abolished inter partes reexamination in its entirety, established new procedures for IPR proceedings, and limited the Director's rule-making authority to procedural matters. As a result, the new IPR proceedings are an adjudicatory surrogate for district court litigation where claims cannot be amended as of right, unlike reexaminations. There is no basis for USPTO

traditions in unrelated reexaminations to overwhelm the clear congressional intent that IPR proceedings would not be conducted using traditional reexamination rules.

Inter partes reviews have made the Patent Trial and Appeal Board (PTAB) a fast growing forum for adjudicating patent validity. The PTAB's use of the broadest reasonable interpretation standard in place of the judiciary's long-standing plain and ordinary meaning standard means that the same patent can have two different sets of boundaries in parallel proceedings adjudicating validity, namely proceedings before the PTAB and a district court. This result is illogical and casts a shadow of uncertainty over the value of research and development and patent portfolios resulting from that research and development, because investors cannot reliably predict the extent of their property rights.

Granting Cuozzo's petition for a Writ of Certiorari is needed to clarify whether the Federal Circuit's special reliance on USPTO claim construction traditions in reexamination proceedings is proper here. Further judicial scrutiny must be applied to determine whether such traditions can trump Congress' decision not to provide the USPTO with authority to create substantive rules, such as the one at issue in this case regarding the Director's authority to set claim construction standards for wholly new IPR proceedings.

ARGUMENT

I. IT IS IMPERATIVE TO DETERMINE THE CORRECT CLAIM CONSTRUCTION STANDARD IN THE NEWLY CREATED IPR PROCEEDING

A. Supreme Court Review Traditionally Has Corrected the Course of Patent Jurisprudence When Special Rules Emerge to Create Unnatural Results, Such as Those in *In Re Cuozzo Speed Technologies.*

When the Federal Circuit has modified long standing legal principles for use in patent matters, this Court has stepped in to ensure that rules for patent law do not unnecessarily stray from general jurisprudence. Like any other body of law, patent law must respect governing doctrines that frame its application by courts.

For example, in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 836 (2015), this Court vacated and remanded because the Federal Circuit applied *de novo* review to all aspects of the district court's claim construction, including the determination of subsidiary facts. The Court explained that Federal Rule of Civil Procedure 52 requires that courts of appeals "must not set aside" a district court's factual findings unless they are clearly erroneous. The "Federal Circuit reviews the claim construction decisions of federal district courts throughout the nation, and we consequently believe it important to clarify the standard of review that it must apply when doing so." *Id.* at 836-37. The Court found that *Markman* "did not create an exception from the ordinary rule governing appellate review of factual matters." *Id.* at 838.

In *eBay, Inc. v. MercExchange, LLC*, 126 S. Ct. 1837 (2006), this Court vacated and remanded a case involving special patent rules applied to the grant of injunctions. The Court declared that the Federal Circuit "articulated a 'general rule,' unique to patent disputes, 'that a permanent injunction will issue once infringement and validity have been adjudged.'" *Id.* at 1841. This Court found that "the Court of Appeals erred in its categorical grant of such relief." *Id.* The familiar principles of deciding whether to grant or deny a permanent injunction "apply with equal force to disputes arising under the Patent Act." *Id.* at 1839.

In the present case, the Federal Circuit upheld the use of the broadest reasonable interpretation claim construction standard in adjudicative IPR proceedings. *Cuozzo I* at 1279. Then, it denied *en banc* review. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1297, 1298 (Fed. Cir. 2015) (*Cuozzo II*). As in *Teva* and *eBay*, in which this Court vacated and remanded, the Federal Circuit reached its decision in *Cuozzo I* by again applying special rules.

The *Cuozzo I* majority held that the Director of the USPTO has the authority to set the standard for claim construction, based in large part on the USPTO's tradition of applying the broadest reasonable interpretation standard in the examination of patent applications and reexamination of patents. *Cuozzo I* at 1277. This tradition, however, is not applicable here. 35 U.S.C. § 316, which authorizes the Director to prescribe regulations, does not allow the Director to create substantive legal standards, such as the construction of claims as required by the invalidity analysis. The *Cuozzo I* panel "decision ignores

the usual rule that, '[o]rdinarily, Congress' silence is just that—silence.'" *Cuozzo II* at 1299 (Prost, J., dissenting). As Chief Judge Prost articulated in her dissent from denial of *en banc* review, "[t]he panel majority holds that 'Congress implicitly approved the broadest reasonable interpretation standard in enacting the [AIA]' This conclusion cannot stand, as it does, on a silent statute, a contrary legislative history, and a line of case law that counsels an opposite result." *Id.*

Moreover, using special rules to foist USPTO tradition into IPRs leads to a conflicting result that patents have two "proper" boundaries at the same point in time—one in a district court suit for patent infringement based on the plain and ordinary meaning standard and another in the PTAB based on the broadest reasonable interpretation standard. A patent claim, however, like any other piece of property, cannot logically have more than one "proper" boundary. Indeed, it has long been black letter patent law that the claims of issued patents must be interpreted the same for purposes of determining invalidity and infringement. *See, e.g. Peters v. Active Mfg. Co.*, 129 U.S. 530, 537 (1889) ("[t]hat which infringes, if later, would anticipate, if earlier"); *White v. Dunbar*, 119 U.S. 47, 51 (1886) (a patent claim is not "a nose of wax which may be turned and twisted in any direction").

B. This Standard Creates Material Uncertainty About Use of Patents to Protect Research and Development Investments

1. *Inter Partes Review Has Emerged as a Dominant Method of Invalidating Patents*

In *inter partes* reviews, the PTAB, a new adjudicatory body, serves as a surrogate for district court litigation of patent validity "to review the validity of a patent in a court-like proceeding." *Cuozzo I* at 1284 (Newman, J, dissenting) (citing H.R.Rep. No. 112–98, pt. 1, at 68, 2011 U.S.C.C.A.N. 67, 92.) *Inter partes* reviews are becoming the vehicle of choice for challenging a patent's validity. The volume of IPR petitions exceeds original expectations and far surpasses the use of reexaminations. Litigation defendants commonly file an IPR to shift the forum for adjudicating patent validity. In just three years, the landscape for scrutinizing the validity and value of patents covering billions of dollars of research and development has changed dramatically.

Before IPRs were an option, parties challenged patents at the USPTO through (1) *ex parte* reexamination, which proceeded essentially as an extension of the patent's original *ex parte* examination; or (2) *inter partes* reexamination, which allowed the challenger to take an adversarial role in the process. Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. Chi. L. Rev. Dialogue 93, 95 (2014). These proceedings used the broadest reasonable interpretation standard to construe claims. *See Cuozzo I* at 1287-88 (Newman, J., dissenting). However, reexamination developed a reputation for lengthy delays, a lack of decisive results, and a permissive attitude toward claim

amendment that led some in the patent bar to view reexamination as a vehicle to strengthen their patent rights *post hoc*, rather than as a tool for possible infringers. *Love and Ambwani* at 95.

The AIA replaced the existing regime of *inter partes* reexamination with *inter partes* review. The new legislation mandated a shorter time to completion and assigned reviews to the PTAB – not the corps of USPTO examiners. Legislators hoped these modifications would transform *inter partes* administrative patent challenges into an inexpensive, efficient litigation alternative. *Id.* at 96. In short, reexamination and *inter partes* review bear little resemblance to each other.

Since the September 2012 inception of the IPR program, patent challengers have filed 3,578 IPR petitions.[4] This far outpaces use of the *inter partes* reexamination system, which saw only 1,919 petitions between 2000 and 2013.[5] As of September 30, 2015, 2,311 IPR petitions had been filed and ruled upon at the institution stage, and 645 (28% of the total institution decisions) had been denied institution. *USPTO IPR Data, p. 7.* 2,059 of the IPR petitions have reached a final disposition. Of the 575 petitions that proceeded through completion of trial without settlement, only 4% of trials (76 cases) concluded with all claims intact. *USPTO* IPR *Data, p. 9.* And,

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[4] U.S. Patent and Trademark Office Oct. 27, 2015, online at http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf (visited Oct. 27, 2015) ("*USPTO IPR Data*").

[5] U.S. Patent and Trademark Office Oct. 27, 2015, online at http://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up_EOY2014.pdf (visited Oct. 27, 2015) ("*USPTO IPRX Data*").

amended claims are virtually non-existent, as the USPTO has interpreted the AIA as providing patent owners only with the right to file a motion seeking to amend claims, not with any right to have amended claims considered during the IPR. *See Cuozzo I* at 1287-88 (Newman, J., dissenting). By stark contrast, in *inter partes* reexamination, patent holders emerged with the same claims or amended claims 69% of the time. *USPTO IPRX Data.* In *ex parte* reexamination, 88% of petitions resulted in amended or unchanged claims.[6] At bottom, the results to date show that *inter partes* reviews invalidate and cancel claims in a way never seen in the reexamination process, where new amended claims are a common occurrence.

Since 2012, patent defendants have filed a growing number of motions to stay litigation pending the results of an *inter partes* review. A picture is developing in which parties strategically shift forums from district court to the USPTO. Aashish Kapadia, *Inter Partes Review: A New Paradigm in Patent Litigation*, 23 Tex. Intell. Prop. L.J. 113 (2015). The trend toward requesting stays in litigation is apparent, with an average grant rate between 60-70%. *Id.* at 131.

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[6] U.S. Patent and Trademark Office Oct. 27, 2015, online at http://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up_EOY2014.pdf (visited Oct. 27, 2015).

2. The Standards Applied in IPR Significantly Impact a Company's Ability to Protect its Product Development Investments.

The standards applied to adjudicate patent validity are critical in analyzing whether inventions in a new product can be protected through patent protection and enforcement. Given the number of review petitions filed since the creation of IPR in 2012, it must now be considered a dominant force in adjudicating patents and rendering them invalid. Reexamination has never played this role, given the high rate of patents emerging with amended or unchanged claims. In fact, the results from IPR proceedings to date suggest that the validity standards applied in IPRs are the most important factors to consider, given the propensity of these proceedings to invalidate patents.

To date, the district court approach to assessing invalidity has weighed at the forefront of the analysis when assessing the likelihood of successful patent enforcement. In prior art based invalidation under 35 U.S.C. §§ 102 and 103, the claim construction rules play a critical role in the invalidity analysis. The plain and ordinary meaning claim construction standard has developed over a longstanding body of jurisprudence and provides a well-developed framework, like the legal principles addressed by this Court in *Teva* and *eBay*. The advent of IPR proceedings as a dominant vehicle for adjudicating patent validity using the broadest reasonable interpretation standard from the reexamination paradigm presents a sea change in patent jurisprudence in this country, given the track record of patent challenge success at the PTAB.

C. Supreme Court Review of the *Cuozzo I* Decision is Necessary to Determine Whether Patent Examination Traditions Dictate Invalidity Analyses in New Adjudicatory IPR Proceedings

The broadest reasonable interpretation standard is designed for patent examination and reexamination proceedings as a procedural mechanism for helping define the boundaries of a patent claim during the back and forth applicant-examiner discussion during the prosecution of a patent application and during reexamination or reissue. "The purpose of construing claims broadly during examination is to restrict or clarify the applicant's proposed claims, not to broaden them" so they can be invalidated. *Cuozzo I* at 1286 (Newman, J., dissenting) (citation omitted). "The 'broadest' protocol aids the applicant and the examiner in defining claim scope during prosecution. It is not a claim construction on which substantive legal rights of validity or infringement are based, or are intended to be based." *Id.* Yet, this is exactly how the broadest reasonable interpretation construction has been wielded in *inter partes* review, with great impact on patent portfolios.

The Director's authority to empower the PTAB to use the broadest reasonable interpretation standard when adjudicating validity is an issue that warrants serious judicial review. This is particularly true since only 4% of patents emerge from PTAB trials unscathed. The Federal Circuit's 6 to 5 refusal of *en banc* review demonstrates a narrowly divided difference of opinion on the correct approach to claim construction in *inter partes* review and the authority of the Director. *See Cuozzo II.*

One set of Federal Circuit jurists declares that the PTAB's use of the broadest reasonable interpretation standard is reasonable, based on its traditional application in the examination and reexamination environment, an environment where claims are malleable. Another group questions whether the Director has any authority under the AIA to set substantive standards for adjudicating invalidity, including the standard for proper construction. Without doubt, the AIA provides the Director with the express authority to set certain "standards" pursuant to 35 U.S.C. § 316(a), but it is silent about the Director's authority to set standards for substantive determinations of patentability, including claim construction.

The fact that *en banc* Federal Circuit review failed by only a single vote means that the Supreme Court is the only venue for further judicial consideration of this important issue. The need for review is magnified by the fact that the AIA is a new statute, and that the Federal Circuit is thoroughly divided in its interpretation. Chief Judge Prost in her dissent from *en banc* denial explains IPR "is a new, court-like proceeding designed to adjudicate the validity of issued patent claims. In adjudicatory proceedings, claims are given their actual meaning, not their broadest reasonable interpretation." *Cuozzo II* at 1299 (Prost, J., dissenting). "Congress was not legislating within an already existing regime." Id. at 1300.

The contrast in outcomes between IPRs and reexaminations demonstrates that IPRs are not "business as usual" at the USPTO. Congress not only provided a new proceeding, it carefully restricted the

Director's authority to establish only regulations for certain standards unrelated to adjudicating patentability. Congress did not grant authority for the Director to apply a traditional USPTO examination standard to replace the judiciary's long-standing "plain and ordinary meaning" standard. A grant of certiorari will assuage the pressing need to clarify this standard.

II. THE FEDERAL CIRCUIT'S DECISION TO UPHOLD THE USE OF THE BROADEST REASONABLE INTERPRETATION STANDARD FOR *INTER PARTES* REVIEW IS INCORRECT

A. Congress Expressly Provided for the Director to Use the Broadest Reasonable Interpretation Standard in *Inter Partes* Reexaminations

Prior to Congress creating *inter partes* review, 35 U.S.C. § 314 was titled "Conduct of inter partes reexamination proceedings" and contained the following text (emphasis added):

> Except as otherwise provided in this section, ***reexamination shall be conducted according to*** the ***procedures established for initial examination under the provisions of sections 132 and 133***. (emphasis added)

Section 132, "Notice of rejection; reexamination," and section 133, "Time for prosecuting application," appear in Chapter 12, which is titled "Examination of Application." During examination of patent applications, USPTO examiners apply the broadest reasonable interpretation standard. *See Cuozzo I* at 1276 ("[t]his court has approved of the broadest rea-

sonable interpretation standard in a variety of proceedings, including initial examinations and reexaminations.").

The broadest reasonable interpretation is appropriate in the "examination of pending applications, as the applicant and the examiner interact to define the invention so as to distinguish or avoid overlap with prior art." *Id.* at 1286 (Newman, J., dissenting) (citing *In re Zletz*, 893 F.2d 319, 321-22 (Fed. Cir. 1989)). "Giving proposed claims their broadest reasonable interpretation 'serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified.'" *Id.* (citation omitted).

B. In the AIA, Congress Chose Not to Designate Examination Standards, such as the Broadest Reasonable Interpretation, For Use in *Inter Partes* Reviews

In the AIA, Congress struck the entire text of 35 U.S.C. § 314, including its reference to the use of examination procedures in sections 132 and 133. Section 314 is now titled "Institution of *inter partes* review" and includes the following:

> The Director may not authorize an inter partes review to be instituted unless the Director determines there is a reasonable likelihood that the ***petitioner would prevail*** with respect to at least 1 of the claims challenged in the petition. (emphasis added)

In an IPR, a petitioner "prevails" by showing that one or more claims of a patent should be cancelled "on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of

patents or printed publications." *See* 35 U.S.C. § 311(b).

Notably, the AIA did not make any reference in the new version of section 314 to the PTAB conducting IPRs "according to the procedures established for initial examination under the provisions of sections 132 and 133." Instead, the AIA set forth section 316, which specifies the scope of regulations the Director can prescribe for IPRs. Section 316 contains no express authorization for the USPTO to establish any substantive standards, let alone the right to establish regulations for construing patent claims or evaluating invalidity under section 102 or 103. Congress could have expressly given the Director this authority in section 316 or maintained the use of "examination procedures in Section 132 and 133," but Congress chose not to do so.

C. Congress Did Not Provide the Director the Authority to Prescribe Regulations Establishing a Claim Construction "Standard" for IPRs Apart from the Plain and Ordinary Meaning Established by the Judiciary

Section 316, which authorizes the Director to prescribe regulations, is titled "Conduct of *inter partes* review." "The word 'conduct' connotes procedure. Section 316 identifies areas whose conduct is assigned to the [US]PTO, including public access to proceedings, discovery rules, and the right to a hearing." *Cuozzo I* at 1290 (Newman, J., dissenting). As Judge Newman indicates, there is "no authorization to the [US]PTO to change the law of how claims of issued patents are construed." *Id.* (citation omitted).

When Congress meant to provide the Director with the authority to set standards pursuant to section 316, Congress did so by explicitly authorizing the following:

> setting forth the ***standards*** for the showing of ***sufficient grounds to institute*** a review under section 314(a) (35 U.S.C. § 316(a)(2));
>
> setting forth ***standards*** and procedures ***for discovery*** of relevant evidence (35 U.S.C. § 316(a)(5));
>
> setting forth ***standards*** and procedures for ***allowing the patent owner to move to amend*** the patent (35 U.S.C. § 316(a)(9)).

These authorized standards are all limited to processes or thresholds for procedural activity, such as institution (with the substantive threshold for institution specified in section 314), discovery, and moving to amend. These are analogous to pleading and discovery rules in the Federal Rules of Civil Procedure. Section 316 does not specify authority allowing the Director to establish standards on substantive matters of validity and the construction required to assess validity. *See* 35 U.S.C. § 311(b) ("A petitioner in an *inter partes* review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103.").

D. The *Cuozzo I* Panel Majority's Reliance on Section 316 as Support for Director Authority to Set Claim Construction Standards is Misplaced

The *Cuozzo I* majority concluded that "section 316(a)(4) further provides the USPTO with authority

to prescribe regulations 'establishing and governing *inter partes* review under this chapter and the relationship of such review to other proceedings under this title.'" *Cuozzo I* at 1278. The majority goes on to assert that regulation calling for use of the broadest reasonable interpretation standard "presents a reasonable interpretation of the statute." Id. at 1279.

> [T]he language of § 316 readily covers the specific action the [US]PTO has taken here, which is the opposite of a sharp departure from historical practice. The USPTO has merely embodied in a regulation the approach it has uniformly applied, even without rulemaking, when it is interpreting 'claims' to assess patentability. *Id.* at 1279.

However, as explained above, there is no basis for extending any portion of section 316 to allow the Director to set substantive standards used by the PTAB to construe claims when adjudicating patent validity First, section 316 is limited to procedural "conduct." Second, the plain meaning of the words used in section 316(a) show that Congress knew how to authorize the Director to set "standards" when it chose to do so, and it did not do so in section 316(a)(4). Third, Congress intended *inter partes* reviews to be a new post-grant review system, before a new adjudicatory body (the PTAB), acting as a surrogate for a district court and reviewing validity in a court-like proceeding. *Cuozzo I* at 1284 (Newman, J., dissenting) (citing H.R.Rep. No. 112–98, pt. 1, at 48, 68 (2011), 2011 U.S.C.C.A.N. 67, 78, 92). In a court-like proceeding, Congress intended "court-like" standards for assessing validity to apply, including

the plain and ordinary standard for determining the proper construction of patent claims.

E. The *Cuozzo I* Panel Majority's Reliance on the USPTO's Long History of Applying the Broadest Reasonable Interpretation Standard in Examination and Reexamination Proceedings is Misplaced

The *Cuozzo I* majority states:

> [t]his court has approved of the broadest reasonable interpretation standard in a variety of proceedings, including initial examinations, interferences, and post-grant proceedings such as reissues and reexaminations. Indeed, that standard has been applied in every [US]PTO proceeding involving unexpired patents. In doing so, we have cited the long history of the USPTO's giving claims their broadest reasonable construction." *Cuozzo I* at 1276-77

The majority goes on to assert "[t]here is no indication that the AIA was designed to change the claim construction standard that the USPTO has applied for more than 100 years." Id. at 1277.

However, an "*inter partes* review is neither a patent examination proceeding nor a patent reexamination proceeding. *Idle Free Sys v. Bergstorm*, 2014 WL 824156, at *19 (Patent Tr. & App. Bd.) "In the PTAB's words, '[a]n *inter partes* review is a trial, adjudicatory in nature [which] constitutes litigation.'" *Cuozzo I* at 1288 (Newman, J., dissenting) (citing *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013–00191, Paper No. 50, at 4 (Feb. 13, 2014)).

As Judge Newman notes, "[t]he extensive congressional criticism of the now-discarded *inter partes* reexamination belies the majority's 'inference' that Congress silently approved practices it was not explicitly adopting. These discarded practices resulted in lengthy delays as well as indecisive results." *Id.* (citation omitted).

> The America Invents Act was designed to remedy these flaws, and to provide an adjudicatory proceeding with the benefits of adversary participation. Thus the Act provides for discovery, witnesses, argument, and other litigation procedures. The House Report explained that Congress intended to "convert" *inter partes* reexamination "from an examinational proceeding to an adjudicative proceeding." *Id.* (citation omitted).

The stark difference in the treatment of amendments in IPRs makes clear that IPRs are wholly different from reexamination. "Patent prosecution is a fluid exchange between the examiner and the applicant, and the expedient of broadest reasonable interpretation during examination is based on, and depends on, the applicant's right to amend the claims." *Cuozzo I* at 1287 (Newman, J., dissenting). "In routine examination and reexamination, the amendment of a claim is a back-and-forth process between an examiner and the applicant, who may present amendments and new claims." *Id.*

Unlike reexamination, in an IPR,

> [t]he proposed substitute claims are not entered automatically and then subjected to examination. Rather, the proposed substitute

> claims will be added directly to the patent, without examination, if the patent owner's motion to amend claims is granted. As the moving party, a patent owner bears the burden to show entitlement to the relief requested. *Idle Free Systems*, 2014 WL 824156, at *19.

The burden is "on the patent owner to show general patentability over prior art." *Id.*

As Judge Newman points out:

> The majority trivializes this difference, curiously stating that these post grant proceedings do not "involve any restriction on amendment opportunities that materially distinguishes IPR proceedings from their predecessors in the patent statute." That is incorrect. Amendment in post-grant validity proceedings is not of right, and thus far appears to be almost entirely illusory. *Cuozzo I* at 1288 (Newman, J., dissenting).
>
> It is beyond debate that *Inter Partes* Review does not allow the kind of iterative amendment process that is part of the "broadest reasonable interpretation" protocol in examination. The restricted role of amendment in the America Invents Act proceedings comports with the intended and expected "correct" claim construction, not the broadest claim construction. It comports with district court practices in adjudication, not USPTO practices in examination. *Id.*

The amendment procedures in an IPR are most akin to the rules applied to expired patents in reex-

amination, since the claims cannot be amended. In this situation, "claim construction pursuant to the principle set forth by the court in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005) (words of a claim 'are generally given their ordinary and customary meaning' as understood by a person of ordinary skill in the art in question at the time of the invention) should be applied since the expired claims are not subject to amendment." *Id.*

Further, the America Invents Act

> refers to the "proper meaning of a patent claim," see 35 U.S.C. § 301(d) (referring to "the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324"). The "proper meaning" is the correct meaning, applying the law of claim construction. The new USPTO regulation authorizing "broadest reasonable interpretation" in these post-grant proceedings defeats "the will of Congress as expressed in the statute." *Id.* at 1290 (citation omitted).

CONCLUSION

In the case of disparate patent claim construction standards in the courts and the USPTO, as endorsed by the *Cuozzo I* majority, the same government issued patent property will have different boundaries in concurrent proceedings before the PTAB and the courts. This anomalous result, contradicting well over a century of black letter patent law, is a direct result of the Federal Circuit acting out of step with established precedent for analyzing an agency's rule making authority, and erroneously relying on the unique traditions of the USPTO in proceedings unre-

lated to the newly created *inter partes* review proceedings. The resulting harm to the patent system is real, serious, and increasing as the number of pending IPRs grows each day. This Court has the opportunity to restore its jurisprudence to patent validity determinations issuing from the USPTO, and it should do so before the problem grows even further. For all the foregoing reasons, IPO respectfully requests that this Court grant Cuozzo's petition for a Writ of Certiorari.

Respectfully submitted,

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CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

On Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF OF AMICUS CURIAE INTELLECTUAL VENTURES MANAGEMENT LLC IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

TABLE OF AUTHORITIES ii

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 3

ARGUMENT 7

I. The Federal Circuit's Claim Construction Rule Undermines Accuracy And Fairness in Patent Adjudication. 7

A. Because of the difference in standards, IPR and district court litigation often result in different answers to the exact same questions. 8

B. Allowing different claim construction standards in IPR and district court invites gamesmanship that will thwart accurate and fair resolutions. 14

C. The gamesmanship invited by the Federal Circuit's rule asymmetrically disadvantages patent owners. 18

II. The Federal Circuit's Rule Foreclosing Judicial Review Of All Issues Related to Institution Undermines Congress's Careful And Balanced Design For IPR. 21

A. The Federal Circuit's rule permits the PTAB to ignore a large set of statutory requirements. 23

B. Foreclosing judicial review encourages gamesmanship in IPR petitions and undermines the fairness and efficiency of the system. 28

CONCLUSION 33

TABLE OF AUTHORITIES

Cases

Achates Reference Publ'g, Inc. v. Apple Inc., 803 F.3d 652 (Fed. Cir. 2015) 22, 25, 29

Amazon.com v. Barnesandnoble.com, 239 F.3d 1343 (Fed. Cir. 2001) 15

Bowen v. Mich. Acad. of Family Physicians, 476 U.S. 667 (1986) 22

Cellular Comm'ns Equip. LLC v. HTC Corp., No. 13-507, 2015 WL 3464733 (E.D. Tex. June 1, 2015) 19

Citizens to Pres. Overton Park, Inc. v. Volpe, 401 U.S. 402 (1971) 27

Click-to-Call Technologies, LP v. Oracle Corp., 622 F. App'x 907 (Fed. Cir. 2015) 26

ContentGuard Holdings, Inc. v. Amazon.com, Inc., No. 02-1112, 2015 WL 1289321 (E.D. Tex. Mar. 20, 2015) 10, 14

Enzo Biochem, Inc. v. Applera Corp., 599 F.3d 1325 (Fed. Cir. 2010) 17

Intellectual Ventures I LLC v. Canon Inc., No. 13-473 (D. Del. Nov. 14, 2014) 16

Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996) 12, 13, 15

MCM Portfolio LLC v. Hewlett-Packard Co., No. 2015-1091, 2015 WL 7755665 (Fed. Cir. Dec. 2, 2015) 29

Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502 (1917) 11

PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC, No. 2015–1361, 2016 WL 692368 (Fed. Cir. Feb. 22, 2016)..... 9, 10

St. Jude Med., Cardiology Div., Inc. v. Volcano Corp., 749 F.3d 1373 (Fed. Cir. 2014)..... 21

Sterner Lighting, Inc. v. Allied Elec. Supply, Inc., 431 F.2d 539 (5th Cir. 1970)..... 15

SurfCast, Inc. v. Microsoft Corp., 6 F. Supp. 3d 136 (D. Me. 2014)..... 9

Synopsys, Inc. v. Mentor Graphics Corp., No. 2014-1516, 2016 WL 520236 (Fed. Cir. Feb. 10, 2016)..... 22, 26, 27, 28

Ultratec, Inc. v. CaptionCall LLC, 611 F. App'x 720 (Fed. Cir. 2015)..... 10

Versata Dev. Grp., Inc. v. SAP Am., Inc., 793 F.3d 1306, 1320 (Fed. Cir. 2015)..... 22

Inter Partes Review Materials

Blackberry Corp. v. MobileMedia Ideas, LLC, No. IPR2013-00036 (P.T.A.B. Mar. 7, 2014)..... 17

Canon Inc. v. Intellectual Ventures I LLC, No. IPR2014-00757 (P.T.A.B. May 15, 2014)..... 16

Facebook, Inc. v. TLI Commc'ns LLC, No. IPR2014-00566 (P.T.A.B. Sept. 15, 2014)..... 17

Hewlett-Packard Co. v. MCM Portfolio, LLC, No. IPR2013-00217 (P.T.A.B. Sept. 10, 2013)..... 30

Int'l Bus. Machs. Corp. v. Intellectual Ventures II LLC, No. IPR2015-01322 (P.T.A.B. Sept. 11, 2015)..... 31

LaRose Indus., LLC v. Capriola Corp., No. IPR2013-00120 (P.T.A.B. Jan. 23, 2013)..... 16, 30

Microsoft Corp. v. SurfCast, Inc., Nos. IPR2013-00292, IPR2013-00293, IPR2013-00294, IPR2013-00295 (P.T.A.B. Oct. 14, 2014) 10

Oracle Corp. v. Click-to-Call Techs. LP, No. IPR2013-00312 (P.T.A.B. Oct. 30, 2013) 26

Research in Motion Corp. v. WI-LAN USA Inc., No. IPR2013-00126 (P.T.A.B. June 20, 2013) 15

Synopsys, Inc. v. Mentor Graphics Corp., No. IPR2012-00042 (P.T.A.B. Dec. 28, 2012) 28

Target Corp. v. Destination Maternity Corp., No. IPR2014-00508 (P.T.A.B. Feb. 12, 2015) 29, 31

Statutes

5 U.S.C. §701(a) 27

35 U.S.C. §301(a)(2) 19

35 U.S.C. §311(c) 23

35 U.S.C. §312(a) 24

35 U.S.C. §314(d) 21

35 U.S.C. §315(a)(1) 24

35 U.S.C. §315(b) 24, 28

35 U.S.C. §315(c) 25, 29

35 U.S.C. §315(e) 25

35 U.S.C. §315(b) 28

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D. Schwartz & C. Seaman, *Standards of Proof in Civil Litigation: An Experiment from Patent Law*, 26 Harv. J. Law & Tech. 429 (2013) 12

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Saurabh Vishnubhakat et al., *Strategic Decision Making in PTAB and District Court Proceedings*, 31 Berkeley Tech. L.J. (forthcoming May 2016) 3

INTEREST OF *AMICUS CURIAE*[1]

Amicus Intellectual Ventures Management LLC fosters conception, development and investment in inventions. It therefore relies heavily on the predictability and regularity of the patent laws. Not only do those laws help Intellectual Ventures protect the value of its innovations and investments, but certainty about their application also allows *amicus* to better predict the value of inventions when prosecuting them during the application process, acquiring them from inventors, licensing them to practitioners, and managing its portfolio.

Intellectual Ventures was co-founded by Dr. Nathan Myhrvold, who is also its Chief Executive Officer. Dr. Myhrvold was previously the Chief Technology Officer of Microsoft, and he holds a doctorate in theoretical and mathematical physics and a master's degree in mathematical economics from Princeton University, as well as a master's degree in geophysics and space physics and a bachelor's degree in mathematics from the University of California at Los Angeles. He was a postdoctoral fellow in the quantum physics laboratory of Dr. Stephen Hawking at Cambridge University. And he is a named inventor on hundreds of issued patents.

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[1] The parties have consented to the filing of this brief. No counsel for a party has authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus* or its counsel made a monetary contribution to its preparation or submission.

Intellectual Ventures files for patents on its own inventions, purchases and licenses patents from other inventors, and partners with inventors to help them generate and patent new inventions. Scientists and engineers at Intellectual Ventures invent solutions to some of the world's most pressing problems. In addition to its own inventors, *amicus* has active relationships with hundreds of universities and other institutions around the world, and thousands of active inventors in its international inventor network.

As a respondent in inter partes review proceedings to defend its patent rights, and as a participant in litigation to enforce those rights, *amicus* has a vital interest in the fairness, accuracy, and integrity of the patent adjudication system, including the interaction between IPR and district court proceedings. Since September 2012, when inter partes review petitions could first be filed, Intellectual Ventures' patents have been the subject of 82 separate petitions. This experience has shown that the rules at issue in this case are flawed, and tend to undermine the integrity of not only IPR proceedings, but also the patent adjudication system as a whole.

SUMMARY OF ARGUMENT

There is no denying that the inter partes review (IPR) proceedings that Congress created in the America Invents Act have quickly come to play an enormous role in the patent dispute resolution process. Over 70% of IPR petitions are filed by parties that have already been sued on the relevant patent in district court, and nearly 90% of IPR petitions concern patents that have been asserted in litigation against someone (either the petitioner, or someone else). *See* Saurabh Vishnubhakat et al., *Strategic Decision Making in PTAB and District Court Proceedings*, 31 Berkeley Tech. L.J. (forthcoming May 2016) (manuscript at 20 & n.120, 24, 51 fig.15a, 52 fig.15b), http://ssrn.com/abstract=2731002. Because IPR clearly functions in fact as an adjunct to ongoing patent litigation, the rules that govern how IPR proceedings interact with district court cases are now critically important. *See id.* (manuscript at 31). And, broadly speaking, two such rules are at issue here: One concerning whether IPR should use the same claim interpretation as district court litigation; and another concerning whether the limits Congress imposed on the IPR process are enforceable by courts. The experience of *amicus* and others in the IPR system plainly shows that the Federal Circuit has gotten both those questions very wrong—allowing certain parties to game the system in ways that fundamentally undermine the fairness, integrity and accuracy of the patent dispute resolution system as a whole.

As explained below, inventors simply do not have a fair chance to defend even their most meritorious inventions in the system the Federal Circuit has

created—a system that has undermined the integrity of *both* IPR *and* district court litigation. For example, the Federal Circuit's rules create an incentive for parties to bring serial, meritless IPR petitions even where the statute plainly prohibits them, holding up patent owners and slowing litigation down. And the Federal Circuit has likewise undermined the incentive of the litigants to play it straight in federal court patent cases by allowing them to assert different claim interpretations in different forums that apply different standards—encouraging the parties to take extreme positions in district court that will make already difficult cases much, much harder on judges. Nothing requires reading the America Invents Act to entail these destructive results, and the Court would be wise to prevent them.

As Petitioner ably explains, the Federal Circuit is wrong on both questions presented. As to the first, it has wrenched a claim interpretation standard designed to structure the examination dialogue between applicants and the Patent Office out of context in a way that fully defeats its purpose. And as to the second, it has confused a procedural provision about "appealable" orders with a highly disfavored kind of substantive rule that makes certain agency judgments judicially unreviewable. The result is to allow the Patent Trial and Appeal Board (PTAB) to invalidate patents that would manifestly survive district court review, even when specific provisions of the statute prohibit it from doing so. Where Congress created a limited tribunal to help distinguish bad patents from good inventions, the Federal Circuit has created a monster.

This is obviously not what Congress intended, and it is grossly unfair to inventors of all stripes. Under the system created by the Federal Circuit, a patent holder could litigate the validity of her patent all the way to this Court, prevail in a unanimous opinion, and then lose all of her investment in both that litigation and her invention because a random panel of the PTAB unreviewably permits an untimely and illegal IPR, adopting as "reasonable" a claim interpretation already rejected by nine Supreme Court Justices. Congress did not place limits on the PTAB's powers just for fun, nor did it give the PTAB the power to reinterpret the scope of a property right already granted—intentionally *mis*reading it to hypothetically cover prior art that it does not actually cover under binding legal precedent.

This is not just a problem for inventors, however, but also for the federal courts themselves. The difference in claim interpretation standards for IPR and litigation drives a wedge between the two forums, which instead should be able to coordinate in reaching accurate resolutions. Even worse, the inconsistent standards across these two available forums encourages parties to make inconsistent arguments. The Federal Circuit's rule invites parties to argue one claim construction before the PTAB on novelty and obviousness issues and another before the district court on other validity and infringement issues. Beyond injecting confusion and inefficiency into the process, these multiple bites at the claim-construction apple also incentivize parties to argue the most extreme positions, not the correct ones. Patent litigation ordinarily creates a strong incentive for the litigants to play their claim-construction

arguments down the middle. But, under the Federal Circuit's rule, district courts will now be forced to navigate the difficult terrain of patent construction without any trustworthy guides.

The incentives for gamesmanship are even greater under the Federal Circuit's holding that all issues related to the decision to institute an IPR are judicially unreviewable. The Court should be aware that the implications of this rule extend *much* more widely than the particular determination challenged in this case—*i.e.*, whether the PTAB may consider grounds not presented in an IPR petition. Instead, the Federal Circuit has held that virtually all of the statutory requirements for validly bringing a petition for IPR are to be enforced only at the discretion of the PTAB, whose incorrect determinations on even the plainest statutory criteria are beyond judicial review. Such requirements include basic limits on who may file an IPR petition and when they may do so. Under the Federal Circuit's rule, none of those statutory requirements, nor their subsidiary factual or legal issues, are subject to enforcement in any court of law.

This leaves the PTAB alone to give effect to restrictions on institution—a fox-and-henhouse situation that has already begun to loosen the limits Congress imposed. Without the check of judicial oversight, patent challengers have convinced PTAB panels to accept novel theories on issues like privity and joinder to expand the PTAB's ability to institute IPRs. In this version of the IPR system, patent challengers can work with others to evade time limits, hide their privity status, and continuously shop arguments knowing that if any given panel of the PTAB institutes an IPR (it only takes one), the

patent owner has no opportunity to correct an error. This system not only invites departure from the statutory requirements Congress imposed, it also distorts the intended design of a fair and efficient IPR process.

The Court should reject a system in which accused infringers can game the system to prevent patent owners from fairly defending even the best patents. IPR was meant to open an alternative pathway to the accurate resolution of patent disputes, not a gaping loophole that undermines the integrity of *both* administrative and federal court patent adjudications. Rejecting the Federal Circuit's twin errors will cause both processes to work better—separately and together. This Court should reverse.

ARGUMENT

I. The Federal Circuit's Claim Construction Rule Undermines Accuracy And Fairness in Patent Adjudication.

The broadest-reasonable-interpretation standard for claim construction is inconsistent with the adjudicative nature of IPR, as Petitioner explains (at 26-35). Congress designed IPR to serve as a parallel alternative to litigation on certain validity issues, and that is undoubtedly how parties use the process. Applying one claim construction standard in IPR and a different one in litigation ignores both Congress's intent and the reality of how the two processes are actually used.

Most important, the only justification for the broadest-reasonable-interpretation standard is how it structures the dialogue between patent applicants and examiners *in the back and forth of the*

examination process, so that the patent when issued will say what both the inventor and the Patent Office intended. Once the patent issues, however, and a *litigant* is reading that language with the intent of invalidating the patent, the claims should be read to mean what they say—no more, and no less. Any other approach allows the PTAB (and the litigant before it) to invalidate a patent on the basis of prior art that it does not actually cover, a purposeless and nonsensical result.

What is more, this approach completely destabilizes the patent adjudication system. Under the Federal Circuit's rule allowing for different claim construction standards in IPR and litigation, the two forums consistently produce inconsistent results. Moreover, the parties (particularly those challenging the patent) develop a new incentive—previously alien to patent litigation—to adopt extreme positions in district court that can be shifted to the other extreme in IPR. The upshot is a system that is neither accurate nor fair.

A. Because of the difference in standards, IPR and district court litigation often result in different answers to the exact same questions.

The difference in the claim construction standard now governing IPR and district court litigation plainly permits divergent outcomes between the two forums on the same question—and it is producing such outcomes in fact. Unsurprisingly, even the brief experience already available confirms that the broadest-reasonable-interpretation standard results

in broader claim constructions and higher rates of patent invalidation in IPR.

Examples abound of courts and PTAB panels construing the same patent claim very differently. In one recent case, the Federal Circuit reviewed a PTAB decision invalidating several patent claims after construing the claim term "continuity member" so that it did not require continuous contact. *PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, Nos. 2015–1361, 2015–1369, 2015–1366, 2015–1368, 2016 WL 692368, at *5 (Fed. Cir. Feb. 22, 2016). Reviewing that claim construction *de novo*, the Federal Circuit concluded that "the Board's construction is *not the correct construction*," explaining that dictionary definitions and multiple passages of the patent specification mandated an additional claim requirement that the PTAB did not impose. *Id.* (emphasis added). Nevertheless, the court—applying the broadest-reasonable-interpretation standard under the decision below—upheld the broader claim construction because "the Board's construction [wa]s not unreasonable." *Id.* Put otherwise, the Federal Circuit expressly held that if this same issue had arisen in district court, the same grant of legal rights in the same patent would have meant something different. But it nonetheless concluded that it could not reverse the contrary decision of the PTAB.

Other cases likewise demonstrate that, unsurprisingly, the difference in claim construction standards results in broader constructions in IPRs than in court proceedings. *See, e.g.*, *SurfCast, Inc. v. Microsoft Corp.*, 6 F. Supp. 3d 136 (D. Me. 2014) (rejecting the broad claim construction of the term

"tile" from the PTAB's institution decision and imposing an additional claim requirement—which the PTAB in turn rejected in its final written decision, Final Written Decision at 10, *Microsoft Corp. v. SurfCast, Inc.*, Nos. IPR2013-00292, IPR2013-00293, IPR2013-00294, IPR2013-00295 (P.T.A.B. Oct. 14, 2014)); *ContentGuard Holdings, Inc. v. Amazon.com, Inc.*, No. 2:13-CV-1112-JRG, 2015 WL 1289321, at *32-33 (E.D. Tex. Mar. 20, 2015) (construing the claim term "document platform" to include an additional requirement that the PTAB rejected).

Moreover, these divergent constructions will make the forum choice outcome determinative in countless cases—a fact the Federal Circuit itself has recognized. *See PPC Broadband*, 2016 WL 692368, at *4 ("This case hinges on the claim construction standard applied—a scenario likely to arise with frequency. And in this case, the claim construction standard is outcome determinative."). In one particularly striking example, *Ultratec, Inc. v. CaptionCall LLC*, 611 F. App'x 720 (Fed. Cir. 2015), a jury awarded $44 million in damages, finding that thirteen claims on eight patents were valid and infringed. *Id.* at 720. The PTAB, on the other hand, found all of those claims invalid, forcing the district court to stay the jury verdict until the PTAB decision was appealed. *Id.*[2] Under the district court's

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[2] The Federal Circuit opinion notes that an IPR on one patent was outstanding; ultimately, the PTAB invalidated the claims in question in that proceeding, too. Final Written Decision at 2, *CaptionCall, L.L.C. v. Ultratec, Inc.*, No. IPR2013-00541 (March 3, 2015).

conclusion, the patent owner was entitled to $44 million; under the PTAB's conclusion, the patent owner got nothing—indeed, it lost patent protection for its inventions entirely. This is not a sensible result: A court had concluded that, under the patent laws, the patent was valid and infringed; a valid patent cannot transform into an invalid one *under the same laws* based solely on the forum of review. Of course, it could always be true that one forum was right and the other was wrong, as when this Court overrules another. But it makes no sense to suggest that both were right—that this Schrödinger's cat of a patent was both valid and invalid at the same time—and yet the patent owner as a result still loses the jury verdict it had (correctly) obtained.

To better see the oddity of this result, consider that a patent is a piece of property "aptly likened to the description in a deed, which sets the bounds to the grant which it contains." *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 510 (1917). A piece of land cannot be given different metes and bounds under its deed by two separate government decision-makers at the same time—it cannot be ten acres in county court when it comes to ejecting trespassers, but twenty acres on the same day when the department of revenue comes to assess its taxes. Construing the bounds of a property right to be broader than it actually is, and thereby penalizing it, is ultimately nonsense—just like the revenue department taxing ten extra acres of land on which (everyone else agrees) the property owner has no ownership rights at all. A patent is a fixed grant of legal rights; the whole point of this Court's path-marking decision in *Markman* (making claim

construction a legal issue for courts, rather than a factual issue for juries) was to eliminate uncertainty and achieve "uniformity in the treatment of a given patent." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996). Even brief experience shows that the broadest-reasonable-interpretation standard has led to the exact opposite result.

Indeed, the difference in IPR and district court outcomes is evident even on an aggregate level. In IPRs, the invalidation rate for patent claims is "nearly 75%." Gregory Dolin, M.D., *Dubious Patent Reform*, 56 B.C. L. Rev. 881, 926 (2015). In district courts, the invalidation rate is only "about 46%"—and that includes claims invalidated for reasons not considered in IPRs (like indefiniteness). *Id.* at 927 Looking at only invalidity grounds available in IPRs (anticipation and obviousness), analyses suggest that only 28% of patents are invalidated in court proceedings. *Id.* Thus, the PTAB's review under the broadest-reasonable-interpretation standard balloons the invalidation rate nearly threefold, from about 28% to 75%.[3]

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[3] The PTAB's higher invalidation rate cannot be explained by the different standards of proof applied in the two forums (*i.e.*, clear and convincing evidence in district court litigation, and preponderance of the evidence in PTAB proceedings). *See* D. Schwartz & C. Seaman, *Standards of Proof in Civil Litigation: An Experiment from Patent Law*, 26 Harv. J. Law & Tech. 429, 459 (2013). While the more permissive standard could explain some increase in the invalidation rate (27% to 38%) as illustrated in that study, it is apparent that the broadest-reasonable-interpretation standard is the driving force behind the nearly tripled invalidation rate in IPR.

These forum-dependent outcomes destabilize the patent adjudication system. In a well-structured process, district courts and the PTAB could look to each other for guidance on the correct claim construction and validity determination, and patent holders could expect their property rights to mean the same thing wherever they were subject to review. Instead, under the Federal Circuit's rule, the two forums proceed on independent tracks, with all the possible inconsistency that entails. Even worse, the impulse to look to the other forum contaminates accurate analysis rather than aiding it, given that the two forums operate under different standards. *See, e.g.*, *ContentGuard Holdings*, 2015 WL 1289321, at *6 (bizarrely declaring that the PTAB's "prior construction is entitled to some deference," even though the PTAB was construing the patent under a different legal standard).

The bottom line is that a process that Congress created to simplify patent litigation has, under the broadest-reasonable-interpretation standard, quite compounded its confusion. The same patent can be read two different ways in two different places, and when a patent survives PTAB review, the district courts cannot even use the claim interpretation provided by the agency in their subsequent infringement cases. Absent some indication in the statute that Congress intended to undermine the goal of uniformity that it has pursued for decades in this area, *see Markman*, 517 U.S. at 390-91, this Court should not adopt a legal rule that sows uncertainty into the meaning and validity of even the most fully adjudicated and judicially approved patents.

B. Allowing different claim construction standards in IPR and district court invites gamesmanship that will thwart accurate and fair resolutions.

Perhaps worse than the foregoing, however, is the unfortunate incentive created by the IPR-only, broadest-reasonable-interpretation standard the PTAB and Federal Circuit have now adopted. By driving PTAB and district court cases apart, this rule removes one constraint on the parties to present fair, consistent arguments across both forums. It also removes an even more significant constraint: the fundamental principle that the claims should be construed the same way when it comes to assessing both the patent's validity and the question whether the accused products have actually infringed.

The patent system is founded on the principle that a patent claim has a fixed scope when analyzing *both* validity and infringement. This rule is critical because patent claiming should involve an inherent trade-off that keeps everybody honest: If you claim broadly, you will cover more practices but also more possible prior art, risking invalidity for stronger infringement claims; conversely, if you claim more narrowly, your patent is more likely to be valid but less likely to win in infringement suits. This central feature of the patent system's design is expressed in the ironic statement that "[t]he stronger a patent the weaker it is and the weaker a patent the stronger it is." Giles S. Rich, *The Proposed Patent Legislation: Some Comments*, 35 Geo. Wash. L. Rev. 641, 644 (1967) (emphasis omitted). And to enforce this principle, courts have time and again recognized that "claims must be interpreted and given the same

meaning for purposes of both validity and infringement analyses. 'A patent may not, like a "nose of wax," be twisted one way to avoid anticipation and another to find infringement.'" *Amazon.com v. Barnesandnoble.com*, 239 F.3d 1343, 1351 (Fed. Cir. 2001) (citation omitted) (quoting *Sterner Lighting, Inc. v. Allied Elec. Supply, Inc.*, 431 F.2d 539, 544 (5th Cir. 1970)).

This rule functions as an important constraint on the litigants: When they pick their positions on claim construction, they know that whatever they might advocate to try to save the patent from (or condemn it to) invalidity, they will be stuck with that same broader or narrower construction when it comes time for assessing infringement. And this, in turn, leads to more moderate and helpful arguments from both sides in *Markman* proceedings, where the lay judge is attempting to understand the meaning of the patent's claims to experts in the art with only the adverse litigants to guide them.

In violation of this settled principle, and spurred by the availability of two independent forums, parties attacking patents now can and do advocate inconsistent—even flatly contradictory—readings of the same claim. For instance, in *Research in Motion Corp. v. WI-LAN USA Inc.*, No. IPR2013-00126 (P.T.A.B. June 20, 2013), the patent challenger offered a broader claim construction in the IPR than in concurrent district court litigation. *See* Institution Decision at 12-13. Over the patent owner's objection, the PTAB adopted the challenger's construction, rejecting the notion "that [the IPR petitioner] should be estopped from arguing a claim interpretation that is different from what it has urged in parallel civil

litigation." *Id.* Indeed, some parties even expressly disclaim that the claim-construction argument they advance in an IPR or district court case will bind them in any other proceeding. *See, e.g.*, Petition for Inter Partes Review at 4, *LaRose Indus., LLC v. Capriola Corp.*, No. IPR2013-00120 (P.T.A.B. Jan. 23, 2013) ("It is noted that *this interpretation is applicable to the inter partes review sought herein only*, and should not be construed as constituting, in whole or in part, Petitioner's own interpretation of any claims for any other purposes, including any litigation. Accordingly, *Petitioner expressly reserves the right to present an interpretation of any claim term in other proceedings, which is different*, in whole or in part, from that presented in this Petition." (emphases added)). The challenger can thus attempt to construe the patent narrowly in district court to avoid infringement, and yet turn around and insist that the same words be read much more broadly in an IPR to try to make the patent invalid.

Amicus has been forced to defend against such chimerical claim-construction arguments. In one recent case, Canon, an accused infringer of *amicus*'s patents, argued in district court that certain claims were indefinite and therefore incapable of being given any claim construction at all. *See* Defendants Answering Claim Construction Brief at 3-11, *Intellectual Ventures I LLC v. Canon Inc.*, No. 13-473-SLR (D. Del. Nov. 14, 2014), ECF No. 231. Meanwhile, in its IPR petition, Canon advocated (definite) claim constructions. Petition at 6-8, *Canon Inc. v. Intellectual Ventures I LLC*, No. IPR2014-00757 (P.T.A.B. May 15, 2014). Those positions are flatly inconsistent—"[i]f a claim is indefinite, the

claim, by definition, cannot be construed," and the IPR should be declined or terminated. Institution Decision at 13, *Facebook, Inc. v. TLI Commc'ns LLC*, No. IPR2014-00566 (P.T.A.B. Sept. 15, 2014) (quoting *Enzo Biochem, Inc. v. Applera Corp.*, 599 F.3d 1325, 1332 (Fed. Cir. 2010)) (declining to institute IPR because of indefiniteness); Termination Order at 7-8, *Blackberry Corp. v. MobileMedia Ideas, LLC*, No. IPR2013-00036 (P.T.A.B. Mar. 7, 2014) (terminating IPR because of indefiniteness). Yet Canon was able to take both positions—manufacturing two chances to defeat the same patent—by virtue of the independent claim construction inquiries used in the PTAB and district court. Canon even expressly defended its inconsistent positions based on the difference in claim construction standards at issue in this case. *See* Hearing Tr. at 85, *Intellectual Ventures I LLC*, No. 13-473, ECF No. 258.

The reduced incentives for parties to play it straight under the two different claim-interpretation standards ends up muddying the waters when it comes to achieving accurate resolution of patent disputes. When parties must pick a single claim construction to defend on both infringement and validity grounds (including definiteness, anticipation, and obviousness), they aid the judge in reaching the most accurate claim construction. That's because each side has an incentive to advocate a Goldilocks construction: neither too broad, nor too narrow, but just right. Without that incentive firmly in place, the district court judge (who may lack any experience in the field of the invention) is left with no trustworthy guides in attempting to determine how practitioners in the art of the patent at issue would likely read the

claims. Parties become free to advocate unfairly broad or narrow claim constructions and devise strategies to unfairly take advantage of multiple opportunities to defeat or enforce a patent, and the judge is left to fend for herself. Eliminating the discrepancy in claim construction standards would restore the patent system to how it was meant to operate, and improve the integrity and accuracy of both the IPR and district court pathways of patent adjudication.

C. The gamesmanship invited by the Federal Circuit's rule asymmetrically disadvantages patent owners.

While the diminished accuracy and fairness of the Federal Circuit's rule hurts all parties in patent adjudications, patent owners in particular face disproportionate burdens under this flawed system. Most obviously, the discrepancy in claim construction standards favors patent challengers: In IPRs, where validity is the only issue on the table, the standard produces broader claims, which are more likely to be invalid; in litigation, where infringement is a central dispute, the standard produces narrower claims, which are less likely to be infringed. *See* Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for Its Money: Challenging Patents in the PTAB*, 91 Notre Dame L. Rev. 235, 288-89 (2015) ("[T]here is something unseemly about allowing a party to argue for a broad construction when it suits its interest in invalidating the patent, and then a narrower construction when the issue is its own infringement."). Under the Federal Circuit's rule, patent owners must fight uphill both ways on validity and infringement.

Moreover, opportunities to adopt shifting, inconsistent positions are plentiful for patent challengers but often foreclosed to patent owners. For instance, one recent district court decision restricted the patent owner to its claim construction from an IPR—it imposed a claim limitation solely because of the patent owner's previously taken position, even though "nothing in the specification" suggested that limitation. *See Cellular Comm'ns Equip. LLC v. HTC Corp.*, No. 6:13-CV-507, 2015 WL 3464733, at *5 (E.D. Tex. June 1, 2015). At the same time, the court permitted the patent challenger to adopt a new claim construction, holding that "[t]o whatever extent the petitioners in the IPR proceedings proposed constructions broader than what Defendants propose in the present litigation, the difference may be accounted for by the difference in claim construction standards between the two proceedings." *Id.* at *6 & n.3. Reinforcing the asymmetry, the statute specifically encourages parties to hold patent owners to their claim constructions, but imposes no such constraint on patent challengers. *See* 35 U.S.C. §301(a)(2) ("Any person at any time may cite to the Office in writing ... statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent."). That provision encouraging consistency from patent owners would enhance accuracy and fairness in patent disputes, if only the claim construction standards did not actively encourage patent owners' adversaries to adopt *inconsistent* claim constructions in response.

The asymmetric advantage for patent challengers in individual proceedings plays out on a larger scale too. While a patent owner will struggle to depart from the claim construction it proposed in the first proceeding in which it sought to defend or enforce its patent, patent challengers can modify their positions over an extended campaign to defeat a patent. A challenger, or a group of challengers working in tandem, can launch attack after attack on a patent in IPRs and court proceedings over many years, trying various claim constructions and strategies until one succeeds, while the patent owner remains fixed to his original position. If the standard were uniform, however, the resolution of these issues in the first case to present them—whether an IPR or a district court litigation—would anchor future litigation and provide some certainty to both sides about the scope of the relevant patent rights.

This is an unforced error that hurts no one more than the federal courts themselves. The adversary system works best when each party has an incentive to narrow their position and focus the issues for the court; it becomes enormously more difficult to find the right answer when the system itself incentivizes the parties to argue (in parallel, incompatible forums) the most extreme positions they can take. Allowing an accused infringer to argue that the patent should be read extremely narrowly to avoid infringement, secure in the knowledge that they can make their invalidity case under a much broader interpretation in IPR, leads only to confusion in the courts. Rejecting that position simply restores a natural balance to patent litigation that both helps judges better understand the patents before them, and

ensures that the patent grant is understood identically—and fairly—on both sides of the case.

II. The Federal Circuit's Rule Foreclosing Judicial Review Of All Issues Related to Institution Undermines Congress's Careful And Balanced Design For IPR.

As the Federal Circuit previously recognized, 35 U.S.C. §314(d) makes a decision whether to institute an IPR *unappealable* in the sense of precluding interlocutory review. *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375-76 (Fed. Cir. 2014)). In the decision below, however, the Federal Circuit reinterpreted Section 314(d)'s procedural rule to instead immunize all aspects of an institution decision from *any judicial review*, even when those issues are raised in appeals following final written decisions. *See* Pet. App. 7a. Under this interpretation, Section 314(d) bars judicial review even when the PTAB ignores plain statutory requirements by initiating an IPR and then ultimately invalidates a patent as a result. *Id.* at 9a, 11a. The startling breadth of this rule may not be evident in this case alone, but even limited experience confirms that it has in fact eviscerated a whole swath of the statutory restrictions that Congress placed upon IPR.

Indeed, since the decision below, the Federal Circuit has confirmed that essentially no statutory limit on the institution of IPR is safe from its rule. In a subsequent decision, it clarified that it will treat an issue as unreviewable, "*even* if [that issue] is reconsidered during the merits phase of proceedings and restated as part of the Board's final written

decision," so long as it was part of the institution decision. *Achates Reference Publ'g, Inc. v. Apple Inc.*, 803 F.3d 652, 658 (Fed. Cir. 2015). In other words, any "issue relating to institution" is now completely beyond judicial review. *Synopsys, Inc. v. Mentor Graphics Corp.*, No. 2014-1516, 2016 WL 520236, at *3 n.4 (Fed. Cir. Feb. 10, 2016).[4]

As Petitioner explains (at 48-53), this interpretation of Section 314(d) is inconsistent with both the text and the "strong presumption that Congress intends judicial review of administrative action," *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986). Congress clearly did not mean for Section 314(d) to immunize non-compliance with Congress's own carefully crafted requirements from any judicial review. *See* Petr. Br. 49-51.

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[4] The Federal Circuit recognized an exception when interpreting the identically worded appealability provision that governs so-called "covered business method review" (CBMR), 35 U.S.C. § 324(e). *See Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1320 (Fed. Cir. 2015). There, it interpreted the provision to permit judicial review of "whether the PTAB exceeded statutory limits on its authority to invalidate" a patent because the patent did not in fact embody a covered business method. *Id.* at 1319.

Despite the similar language, the Federal Circuit later held that this exception "is limited to the unique circumstances of CBMR." *Achates*, 803 F.3d at 657. And even if this enigmatic exception did apply to IPR, the Federal Circuit has held that it does not provide for judicial review regarding compliance with all statutory requirements. *See id.* at 657-58 (holding that a statutory time bar is not the type of statutory requirement for which *Versata* would permit review). The unintelligibility of the sole exception the Federal Circuit has announced is, if anything, proof of the unsoundness of the rule.

Nevertheless, the error of the Federal Circuit's rule becomes far more clear when one considers the full scope the Federal Circuit has already given it. In fact, a whole host of statutory requirements could fall (and have already fallen) by the wayside under the PTAB's unsupervised administration of the IPR process. In addition, petitioners—emboldened by the prospect that if a PTAB panel overlooks a procedural error, the patent owner has no recourse—now can and do routinely attempt to evade statutory requirements by filing petition after petition until any given PTAB panel takes the bait. The unreviewability rule thus undermines the integrity of the statutory scheme and threatens to distort the IPR process into an inefficient, unpredictable free-for-all.

A. The Federal Circuit's rule permits the PTAB to ignore a large set of statutory requirements.

Within the broad set of issues that the Federal Circuit's rule makes unreviewable, the particular challenge at issue in this case—whether the PTAB may institute review on grounds not presented in the petition—represents just the tip of the iceberg.

Congress imposed an array of statutory requirements to govern when and how IPRs may be instituted. Under the Federal Circuit's rule, the PTAB is left to its own devices when applying (or not) requirements such as the following:

- *Earliest possible timing*: "A petition for inter partes review shall be filed after the later of either" 9 months after the patent is granted or the termination of a post-grant review. 35 U.S.C. §311(c).

- *Petition requirements*: "A petition filed under section 311 may be considered only if (1) the petition is accompanied by payment of the fee established by the Director ...; (2) the petition identifies all real parties in interest; (3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim ...; (4) the petition provides such other information as the Director may require by regulation; and (5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner." *Id.* §312(a).
- *Time bar for earlier-filed civil action*: "An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent." *Id.* §315(a)(1).
- *Time bar for infringement defendants*: "An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent." *Id.* §315(b).
- *Joinder limitation*: "If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who" files a petition

meeting the standard for granting review. *Id.* §315(c).

- *Estoppel*: "The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review," nor in a civil action or proceeding before the International Trade Commission. *Id.* §315(e).

These requirements impose plain, mandatory restrictions on the PTAB and parties. Many of them make clear that there are circumstances under which a case cannot be instituted because it is out of time, covered by an estoppel bar, brought by a privy of a barred party, or associated with an incomplete or legally insufficient petition. Yet under the Federal Circuit's rule, the PTAB may disregard any requirement or overlook any violation by a party, institute the IPR, and place the issue entirely beyond the reach of any court. The Federal Circuit's rule thus gives these plain statutory commands only hortatory effect; they become guidelines for the agency to follow only when it feels like it.

Already, the Federal Circuit has applied this rule to insulate from review PTAB rulings under statutory requirements far removed from the ones at issue in this case. For instance, the court has recently held that its interpretation of Section 314(d) makes the time-bar provision in Section 315(b) off-limits to judicial review. *See Achates*, 803 F.3d at

658. The Federal Circuit explained that its interpretation of Section 314(d) immunizes from judicial review all "decisions concerning the § 315(b) time bar, including determinations of the real party in interest and rulings on discovery related to such determinations." *Synopsys*, 2016 WL 520236, at *11; *see also Achates*, 803 F.3d at 658. That is, any legal or factual issue arising from the PTAB's application of the time bar is now unreviewable.

One recent case under this time-bar provision illustrates how the Federal Circuit's rule renders unmistakable statutory barriers into unenforceable swinging doors. In *Click-to-Call Technologies, LP v. Oracle Corp.*, 622 F. App'x 907 (Fed. Cir. 2015) (per curiam), the petitioner was sued for infringement more than one year before its petition. Institution Decision at 15, *Oracle Corp. v. Click-to-Call Techs. LP*, No. IPR2013-00312 (P.T.A.B. Oct. 30, 2013). Despite Section 315(b)'s requirement that an IPR "may not be instituted" if the petitioner was "served with a complaint alleging infringement" more than a year before the petition, the PTAB instituted anyway. *Id.* at 17 The panel noted that the civil action had eventually been dismissed without prejudice, and it held that the dismissal "nullifie[d] the effect" of the complaint served more than a year before the IPR petition was filed. *Id.* The Federal Circuit dismissed the patent owner's appeal from the final written decision, holding that Section 314(d) precluded judicial review of the time-bar provision, holding that the PTAB's disregard for the statutory text "amounts to a 'statutory interpretation dispute,'" that the court was powerless to review. 622 F. App'x at 908.

This is an utterly bizarre result. Under the core principles of administrative law, Congress places matters in the sole discretion of the agency when it does *not* provide a clear standard to govern a particular aspect of agency decisionmaking, or if it expresses a clear intent to preclude judicial review. *See* 5 U.S.C. §701(a); *Citizens to Pres. Overton Park, Inc. v. Volpe*, 401 U.S. 402, 410 (1971) (exception to judicial review applies in "rare instances" where there is "no law to apply" (citation omitted)). But on the Federal Circuit's view here, Congress provided for federal court review of final IPR decisions and created a set of clear statutory rules governing when IPRs were appropriate, and nonetheless intended that the agency alone would be charged with bearing those rules in mind. If Congress intended to make the decision to institute the IPR temporarily *unappealable*, the language it chose makes perfect sense; if it intended to make every statutory bar in the statute unreviewable, it could hardly have written the statute any worse.

Indeed, as the time-bar decisions demonstrate, the destructive effect of the Federal Circuit's reading of Section 314(d) will spread throughout the many statutory requirements governing IPR petitions and institution. The time-bar provision, like the other requirements, "is an essential part of the AIA structure" that preserves the fairness, orderliness, and efficiency of the IPR system. *Synopsys*, 2016 WL 520236, at *27 (Newman, J., dissenting). Under a rule that denies judicial review to "issues material to statutory compliance—issues of privity, standing, and jurisdiction," *id.*, IPRs may depart drastically from the features and safeguards Congress designed.

Congress did not impose those safeguards for fun; they were meant to have teeth, and the courts should ensure that they have them.

B. Foreclosing judicial review encourages gamesmanship in IPR petitions and undermines the fairness and efficiency of the system.

The absence of judicial review encourages the PTAB and parties to undermine the design of the IPR process. In particular, patent challengers are now incentivized to devise new strategies to push the envelope of petition and initiation requirements, knowing that if any given PTAB panel accepts their theory, the decision is irreversible. Indeed, petitioners have already begun to deploy new end-runs around statutory requirements, and PTAB panels have already accepted some of these attempts by crafting novel legal theories and overlooking factual issues—all without any oversight from the Federal Circuit.

For instance, in *Synopsys*, 2016 WL 520236, the petitioner faced the Section 315(b) time bar, which applies even if the "real party in interest, or privy of the petitioner," rather than the petitioner itself, was sued for infringement. 35 U.S.C. §315(b). The petitioner in *Synopsys* filed an IPR petition, then one day later acquired a company that had been sued more than a year earlier for infringing the patent. *See* Preliminary Response by Patent Owner at 3-4 & n.2, *Synopsys, Inc. v. Mentor Graphics Corp.*, No. IPR2012-00042 (P.T.A.B. Dec. 28, 2012). A panel of the PTAB endorsed the petitioner's theory that the acquired company was not the real party in interest

or the petitioner's privy, applying the formalistic analysis that "it is only relationships up until the time a petition is filed that matter." Final Written Decision at 12, 15, *Synopsys (IPR)* (P.T.A.B. Feb. 19, 2014). The Federal Circuit refused to review that analysis. *Synopsys*, 2016 WL 520236, at *11.

Synopsys is just one example of how petitioners and the PTAB have developed novel legal theories for circumventing limitations on petitions. Another remarkable example is *Target Corp. v. Destination Maternity Corp.*, No. IPR2014-00508 (P.T.A.B. Feb. 12, 2015), where the PTAB permitted a petitioner to avoid the time bar by moving for "joinder" of a new petition raising new issues to *that petitioner's own previously filed IPR*. *Compare* 35 U.S.C. §315(c) (allowing Director to "join *as a party*" those who meet certain standards (emphasis added)), *with* Decision Granting Petitioner's Request for Rehearing at 13, *Target* (P.T.A.B. Feb. 12, 2015). In such cases, PTAB panels have consistently selected the statutory construction that aggrandizes the PTAB's "discretion to move forward ... where a petitioner ... may not bring a ... petition because of a § 315(b) bar." *Id.* at 13. Other, similar cases reflect analogous attempts to circumvent limitations on factual and procedural grounds. *See, e.g.*, *Achates*, 803 F.3d at 658 (holding unreviewable the PTAB panel's conclusion that there was insufficient evidence of a privity relationship under Section 315(b), and the panel's refusal to permit discovery into that relationship); *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 2015-1091, 2015 WL 7755665, at *3 (Fed. Cir. Dec. 2, 2015) (holding unreviewable the PTAB's determination that "MCM does not provide persuasive evidence that HP

and Pandigital are privies for purposes of §315(b)," Institution Decision at 7, *Hewlett-Packard Co. v. MCM Portfolio, LLC*, No. IPR2013-00217 (P.T.A.B. Sept. 10, 2013)).

These examples reflect two ways in which the unreviewability rule invites a swell of IPR petitions pushing against statutory limitations. First, they demonstrate that certain statutory restrictions—namely, Section 315(b)'s time limits and provisions governing privies and real parties in interest—have already been loosened in the absence of judicial review. Second, they reflect how petitioners can successfully avoid statutory limitations with a novel theory, so long as a single PTAB panel accepts it. That is particularly so because (as the foregoing cases demonstrate) the PTAB routinely denies even the most minor discovery requests that might allow an IPR defendant to demonstrate the existence of a privity relationship for purposes of the time bar. Essentially, patent challengers know that the PTAB is likely to miss or ignore a privity relationship, and no court will ever do anything about it.

There is every reason to believe that, emboldened by the unreviewability rule and these early successes, patent challengers will file serial IPR petitions even more frequently. Already, there is little to prevent patent challengers from filing multiple petitions against the same patent claims (that is, besides the now-unenforceable timing and estoppel bars—when they even apply). *Cf.* Institution Decision at 17, *LaRose Indus., LLC v. Capriola Corp.*, No. IPR2013-00121 (P.T.A.B. June 28, 2013) (explaining that the PTAB does not prohibit "filing multiple petitions advocating multiple grounds of unpatentability

against the claims of a patent"). Indeed, for *amicus*, it is not uncommon to face many simultaneous petitions on a single patent. *See, e.g.*, Patent Owner's Preliminary Response at 10-11, *Int'l Bus. Machs. Corp. v. Intellectual Ventures II LLC*, No. IPR2015-01322 (P.T.A.B. Sept. 11, 2015) (listing seven petitions pending on one of *amicus*'s patents). In addition, inconsistency among PTAB panels confirms the attractiveness of this strategy for patent challengers—file enough petitions and eventually one panel may bite. *Compare, e.g.*, Decision Denying Institution at 3, *Target* (P.T.A.B. Sept. 25, 2014) (finding the petition time barred), *with* Decision Granting Petitioner's Request for Rehearing at 13, *Target* (P.T.A.B. Feb. 12, 2015) (reaching the opposite conclusion).

The loosened restrictions on petitions and institution, and the knowledge that once a decision to institute is made it becomes judicially irreversible, will also elicit even more IPR petitions from non-traditional entities. For example, patent challengers can form joint patent-defense groups that file serial petitions against a patent but obscure privity relationships and real parties in interest through a multiplicity of parties. *See, e.g.*, Decision Denying Patent Owner's Motion for Additional Discovery, *Int'l Bus. Machs. Corp.* (P.T.A.B. Sept. 24, 2015) (refusing *amicus*'s motion for discovery into privity relationship between petitioner and members of a joint patent-defense group). Petitions for IPR—or threats to file petitions—have even been used by a new set of entities to affect patent owners' stock prices and to solicit payments or settlements from patent owners. *See* Dreyfuss, *Giving the Federal*

Circuit a Run for Its Money, 91 Notre Dame L. Rev. at 284-85 & nn.315-16.

The cumulative result of the unreviewability of petition and institution issues will be to undermine the integrity of the IPR system. A swell of IPR petitions will bog the system down with inefficient and duplicative proceedings. These effects will be particularly unfair to patent owners, whose patents will be constantly under attack. When errors related to initiation occur, the patent holder will never have a chance to push back. And the heightened incentive for serial petitions leads to dramatic uncertainty about the value of a patent right, even if IPR petitions on the same patent have been denied institution again and again.

Once again, these are simple, unforced errors created by misreading Congress's evident intent. The judicially enforceable requirements of Section 315, including its timing and estoppel bars, exist to provide reasonable certainty that patents that have been successfully asserted and validated in litigation will not be subjected to unending, serial, collateral attacks in the Patent Office by the defendant—or its privies, allies, and hired guns—bringing duplicative IPR petitions for years on end. When those provisions are enforced in a uniform manner by the Federal Circuit, the statutory regime achieves a balance where IPR functions as an alternative pathway for invalidating meritless patents, and not as an opportunity to game the system for defendants who have long since lost an infringement suit regarding a meritorious invention. But the Federal Circuit's abdication of its role in the system creates the opposite result—turning IPRs into a kind of Wild

West system of patent invalidation where no patent or district court victory is ever truly safe.

In this instance, restoring a basic semblance of fairness and balance to the patent system requires nothing more than a willingness to enforce the clear statutory commands that Congress incorporated in the Act. This Court should do so, and reverse.

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be reversed.

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CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF INTERDIGITAL, INC., TESSERA TECHNOLOGIES, INC. AND FALLBROOK TECHNOLOGIES INC. AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

INTERESTS OF AMICI CURIAE 1

SUMMARY OF ARGUMENT 2

ARGUMENT 7

I. THE PTO'S RULE DEPARTS FROM OVER A CENTURY OF SETTLED LAW 8

A. Patent Law Has Long Distinguished Between Adjudication Of Issued Patents And Examination Of Patent Applications 8

B. Congress Created The New PTAB Proceedings As An Alternative To District Court Adjudication, Not As An Extension Of The Examination Process 16

C. Congress Did Not Empower The PTO To Depart From The Traditional Standard For Adjudicating Patent Validity 22

II. THE PTO'S RULE INTRODUCES INEFFICIENCY AND INSTABILITY BY CREATING CONFLICTING STANDARDS FOR ADJUDICATING PATENT VALIDITY 24

TABLE OF CONTENTS—Continued

Page

III. THE PTO'S RULE UNDERMINES PATENTEES' LEGITIMATE PROPERTY RIGHTS 28

CONCLUSION 32

TABLE OF AUTHORITIES

Page(s)

CASES

Abbott Laboratories v. Cordis Corp.,
710 F.3d 1318 (Fed. Cir. 2013) 17

Amazon.com, Inc. v. Barnesandnoble.com, Inc.,
239 F.3d 1343 (Fed. Cir. 2001) 29

Amkor Technology, Inc. v. Tessera, Inc.,
No. A139596, 2014 WL 6677363 (Cal. Ct. App. Nov. 25, 2014) 30

In re Bigio,
381 F.3d 1320 (Fed. Cir. 2004) 10

Bischoff v. Wethered,
76 U.S. (9 Wall.) 812 (1870) 8

Burlington Industries, Inc. v. Quigg,
822 F.2d 1581 (Fed. Cir. 1987) 10, 17

Burns v. Meyer,
100 U.S. 671 (1880) 9

Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.,
467 U.S. 837 (1984) 3

Chimie v. PPG Industries, Inc.,
402 F.3d 1371 (Fed. Cir. 2005) 9

In re Crish,
393 F.3d 1253 (Fed. Cir. 2004) 14

TABLE OF AUTHORITIES—Continued

Page(s)

Eli Lilly & Co. v. Board of Regents of the University of Washington, 334 F.3d 1264 (Fed. Cir. 2003), *cert. denied*, 541 U.S. 968 (2004) 13

Ethicon Endo-Surgery, Inc. v. United States Surgical Corp., 93 F.3d 1572 (Fed. Cir. 1996) 15

FDA v. Brown & Williamson Tobacco Corp., 529 U.S. 120 (2000) 6, 23, 28

In re Graff, 111 F.3d 874 (Fed. Cir. 1997) 12

Lakewood Engineering Co. v. Stein, 8 F.2d 713 (6th Cir. 1925), *cert. denied*, 270 U.S. 661 (1926) 8

McClain v. Ortmayer, 141 U.S. 419 (1891) 8

Microsoft Corp. v. i4i Limited Partnership, 131 S. Ct. 2238 (2011) 28

Nike, Inc. v. Adidas AG, — F.3d ----, 2016 WL 537609 (Fed. Cir. Feb. 11, 2016) 18

PPC Broadband, Inc. v. Corning Optical Communications RF, LLC, — F.3d —, No. 2015-1364, 2016 WL 692369 (Fed. Cir. Feb. 22, 2016) 5, 9

TABLE OF AUTHORITIES—Continued

Page(s)

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1170 (2006) 4, 8

Phillips Petroleum Co. v. Huntsman Polymers Corp.,
157 F.3d 866 (Fed. Cir. 1998) 15

Podlesak v. McInnerney,
1906 Dec. Comm'r Pat. 265 9

In re Prater,
415 F.2d 1393 (C.C.P.A 1969) 11

In re Rambus, Inc.,
753 F.3d 1253 (Fed. Cir. 2014) 4, 11, 24

In re Reuter,
670 F.2d 1015 (C.C.P.A 1981) 12

Smartflash LLC v. Apple Inc.,
621 F App'x 995 (Fed. Cir. 2015) 27

SmithKline Diagnostics, Inc. v. Helena Laboratories Corp.,
859 F.2d 878 (Fed. Cir. 1988) 29

Ultratec, Inc. v. CaptionCall, LLC,
611 F App'x 720 (Fed. Cir. 2015) 26

TABLE OF AUTHORITIES—Continued

Page(s)

Versata Software, Inc. v. SAP America, Inc.,
No. 2:07cv153-RSP, 2014 WL 1600327
(E.D. Tex. Apr. 21, 2014), *aff'd sub nom.*
Versata Computer Industry Solutions,
Inc. v. SAP AG, 564 F App'x 600 (Fed.
Cir. 2014).....27

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984).....10, 13

In re Zletz,
893 F.2d 319 (Fed. Cir. 1989).....10

ADMINISTRATIVE MATERIALS

Amkor Technology, Inc. v. Tessera, Inc.,
IPR2013-00242, Paper 37, 2013 WL
5653117 (P.T.A.B. Oct. 11, 2013).....30

Amkor Technology, Inc. v. Tessera, Inc.,
IPR2013-00242, Paper 98, 2014 WL
2864151 (P.T.A.B. Jan. 31, 2014).....30

Amkor Technology, Inc. v. Tessera, Inc.,
IPR2013-00242, Paper 129, 2014 WL
2135965 (P.T.A.B. May 22, 2014).....7, 31

Bamberger v. Cheruvu,
55 U.S.P.Q.2d 1523, 1998 WL 1669308
(B.P.A.I. Feb. 19, 1998).....14

TABLE OF AUTHORITIES—Continued

Page(s)

CaptionCall, L.L.C. v. Ultratec, Inc., IPR2013-00540, Paper 78, 2015 WL 1263028 (P.T.A.B. Mar. 3, 2015) 26

Ford Motor Co. v. Signal IP, Inc., IPR2015-00860, -00861, Paper 11 (P.T.A.B. Oct. 1, 2015) 19

Google Inc. v. ContentGuard Holdings, Inc., CBM2015-00040, Paper 9, 2015 WL 3920037 (P.T.A.B. June 24, 2015) 27

Google Inc. v. Jongerius Panoramic Techs., LLC, IPR2013-00191, Paper 50, 2014 WL 2863836 (P.T.A.B. Feb. 13, 2014) 16

Hewlett-Packard Co. v. MCM Portfolio LLC, IPR2013-00217, Paper 8, 2013 WL 8701596 (P.T.A.B. May 10, 2013) 19

Idle Free Systems, Inc. v. Bergstrom, Inc., No. IPR2012-00027 (JL), Paper 26, 2013 WL 5947697 (P.T.A.B. June 11, 2013) 18

Microsoft Corp. v. VirnetX Inc., IPR2014-00612, -00613, -00614, Paper 9, 2014 WL 5320530 (P.T.A.B. Oct. 15, 2014), *modified on rehearing on other grounds*, Paper 12, 2014 WL 5840667 (P.T.A.B. Oct. 30, 2014) 27

TABLE OF AUTHORITIES—Continued

Page(s)

Seagate Technology (US) Holdings, Inc. v, Enova Technology Corp., IPR2014-00683, Paper 47, 2015 WL 5170256 (P.T.A.B. Sept. 2, 2015) 27

ZTE Corp. v. InterDigital Tech. Corp, IPR2014-00525, Paper 1, 2014 WL 1159058 (P.T.A.B. Mar. 21, 2014) 25

ZTE Corp. v. InterDigital Technology Corp., Paper 19, 2014 WL 4715525 (P.T.A.B. Sept. 17, 2014) 25

ZTE Corp. v. InterDigital Technology Corp., Paper 48, 2014 WL 10405879 (P.T.A.B. Sept. 14, 2015) 25

STATUTES AND REGULATIONS

35 U.S.C. § 6(a) 17

35 U.S.C. § 6(b)(4) 17

35 U.S.C. § 102 ..... 6, 28

35 U.S.C. § 103 ..... 6, 28

35 U.S.C. § 120 11

35 U.S.C. § 135(a) (2006) 13

35 U.S.C. § 251(a) 12

35 U.S.C. § 251(d) 12

TABLE OF AUTHORITIES—Continued

Page(s)

35 U.S.C. § 282 10

35 U.S.C. § 282(a) 6, 28

35 U.S.C. § 303(a) 12

35 U.S.C. § 305 ..... 12, 13

35 U.S.C. § 311 17

35 U.S.C. § 312(a) (2006) 12

35 U.S.C. § 313 17

35 U.S.C. § 314 (2006) 13

35 U.S.C. § 314(a) (2006) 13

35 U.S.C. § 315(a)(1) 20

35 U.S.C. § 315(a)(2) 20

35 U.S.C. § 315(d) 19

35 U.S.C. § 315(e)(2) 20

35 U.S.C. § 316(a) 17

35 U.S.C. § 316(a)(11) 19

35 U.S.C. § 316(d)(1) 18

35 U.S.C. § 316(d)(2) 18

35 U.S.C. § 321 17

TABLE OF AUTHORITIES—Continued

Page(s)

35 U.S.C. § 323 17

35 U.S.C. § 325(a)(1) 20

35 U.S.C. § 325(a)(2) 20

35 U.S.C. § 325(e)(2) 20

35 U.S.C. § 326(d)(1) 18

35 U.S.C. § 326(d)(2) 18

Act of July 4, 1836, ch. 357, § 6, 5 Stat. 117 ..... 2, 8

America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) 3, 16

37 C.F.R. § 1.53(b) 11

37 C.F.R. § 1.78 11

37 C.F.R. § 1.114 10

37 C.F.R. § 1.176(a) 11

37 C.F.R. § 1.633 (2004) 13

37 C.F.R. § 1.633(c) 13, 14

37 C.F.R. § 1.633(h) 14

37 C.F.R. § 1.633(i) 13, 14

37 C.F.R. § 41.203 13

TABLE OF AUTHORITIES—Continued

Page(s)

37 C.F.R. § 42.3(a) 19

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INTERESTS OF AMICI CURIAE

Amici are leaders in the development of technologies that drive some of the most dynamic sectors of the American economy.[1]

InterDigital, Inc. ("InterDigital"), based in Wilmington, Delaware, has been a pioneer in mobile technology and a key contributor to global wireless communication standards for over four decades. The company's patented innovations have been critical to the deployment of 2G, 3G, 4G, and IEEE 802-related wireless networks and compatible products.

Tessera Technologies, Inc. ("Tessera"), a twenty-five-year-old public technology company based in San Jose, California, researches and develops semiconductor and imaging technologies. Tessera licenses its technologies, and the patents that protect them, to others. Over 100 billion semiconductor chips have shipped with Tessera's semiconductor packaging technology, and Tessera's imaging software is embedded in more than 60 percent of global high-end smartphones.

Fallbrook Technologies Inc. ("Fallbrook"), based in Cedar Park, Texas, develops and licenses mechanical energy management solutions for the transportation industry and manufactures and sells advanced bicycle transmissions. Fallbrook's energy management

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[1] The parties have consented to the filing of this *amicus* brief. No counsel for a party authored this brief in whole or in part; and no such counsel or any party made a monetary contribution intended to fund the preparation or submission of this brief. No person or entity, other than *amici* and their counsel, made a monetary contribution intended to fund its preparation or submission.

solutions enable vehicles that can better achieve tougher future gas mileage and emissions standards.

Collectively, *amici* employ hundreds of engineers, including many with advanced degrees. They invest tens of millions of dollars annually in research and development related to their core technology areas. They have thousands of patents in their respective fields. They have seen first-hand the perverse and destabilizing effects of the Patent Trial and Appeal Board's ("PTAB") use of the "broadest reasonable interpretation" (or "broadest reasonable construction") standard. This standard departs from the test that has governed well over a century of patent validity adjudication, forces patentees to face conflicting claim construction standards in two different fora, and dramatically undermines the substantive property rights of patentees in ways never contemplated by Congress. *Amici*, therefore, have a profound interest in the first Question Presented. *See* Pet. II.

SUMMARY OF ARGUMENT

In 1836, Congress required that patents separately recite with specificity what the inventor "claim[ed]" as his or her invention. Act of July 4, 1836, ch. 357, § 6, 5 Stat. 117, 119. Those recitations of the metes and bounds of the invention are now commonly referred to as "claims." When accused infringers challenge a patent's validity in district court litigation, the patent's claims are first interpreted (or "construed") to determine their meaning to a person of ordinary skill in the art.[2]

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[2] The same standard and process also apply in International Trade Commission proceedings.

In 2011, in the America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011), Congress created an alternative (more cost-effective and efficient) litigation forum in which accused infringers can challenge the validity of issued patents: the PTAB of the United States Patent and Trademark Office ("PTO"). When it enacted regulations to govern this new litigation forum, however, the PTO departed from the longstanding practice of adjudicating a patent's validity based on the most accurate interpretation of its claim terms. Instead, the PTB required the PTAB to adjudicate a patent's validity based on the claim terms' "broadest reasonable construction." 37 C.F.R. § 42.100(b).

In the present action, Cuozzo argued that Congress never authorized the PTAB to adjudicate patent validity under an artificially broad claim construction standard that undermines legitimate patent rights. A divided panel of the Federal Circuit disagreed. The majority held that, in adopting the broadest reasonable interpretation standard for PTAB proceedings, the PTO reasonably interpreted its Congressional mandate under the AIA. Pet. App. 18a-19a (applying *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984)). The sharply divided court then denied rehearing en banc, by a 6:5 vote. *Id.* at 48a-51a.

This Court should vacate the Federal Circuit's judgment. The PTO's rule is incompatible with the adjudicative nature of the PTAB's proceedings and creates between the PTAB and the courts a double standard that whipsaws patentees, destabilizes the patent system, and weakens patent rights. The Federal Circuit's decision upholding the PTO's use of the "broadest reasonable interpretation," in lieu of the

actual meaning of the claim, is erroneous for three overarching reasons.

First, Congress intended the PTAB to serve as an alternative forum for adjudicating patent validity, and that function historically and inherently requires each patent claim to be judged by its actual meaning. Patent law distinguishes between (i) claim construction that occurs in adjudicative proceedings involving an issued patent and (ii) claim construction that occurs during the PTO's examination proceedings involving yet-to-be-issued patent applications (and related post-issuance proceedings, such as reexaminations, reissues, and interferences). In the adjudication context, the actual meaning of the claim—the "meaning that the term would have to a person of ordinary skill in the art ... at the time of the invention"—has long governed questions of both patent validity and infringement. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc), *cert. denied*, 546 U.S. 1170 (2006). During an examination, in contrast, the PTO's patent examiners give claims an artificial "broadest reasonable interpretation" to facilitate patent prosecution in a collaborative process where applicants are allowed to amend claims freely and frequently as well as propose new claims. *In re Rambus, Inc.*, 753 F.3d 1253, 1255-56 (Fed. Cir. 2014).

Although the new post-grant proceedings created by the AIA are not administered by district courts, but instead by the PTO (through the newly-created PTAB), the text, structure, and purpose of the AIA show that the process is adjudicatory in nature. The point of the new PTAB proceedings is to provide a cheaper and quicker alternative to patent litigation, not an additional opportunity for patent examination.

Consequently, the standards traditionally used in court and in this new alternative-to-court should be the same. There is no reason to assume Congress intended, when creating an alternative adjudication forum, to change the substantive standard under which the validity of issued patents has always been adjudicated.

Second, the PTO's rule requires patentees, irrationally and unfairly, to defend their patent rights in the two alternative adjudicative forums under two different and conflicting claim construction standards. As the Federal Circuit recognized just last week, under the PTO's rule, "it is possible to have two different forums construing the same term in the same patent in a dispute involving the same parties but using different standards." *PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, — F.3d ----, No. 2015-1364, 2016 WL 692369, at *5 (Fed. Cir. Feb. 22, 2016). It is highly likely that the district court and the PTAB, though considering identical claims and prior art, will adopt different constructions and reach inconsistent conclusions on patent validity.

This divergence is creating destabilizing uncertainty about the validity of patent rights, encouraging forum shopping and fostering duplicative strategic litigation on an unprecedented scale. There already have been multiple incidents of patentees (including *amicus* InterDigital) obtaining jury verdicts of patent infringement and validity in the district court under their claims' actual meanings only to be met with subsequent PTAB decisions finding the same claims invalid under the "broadest reasonable interpretation" standard.

When it established the PTAB as an alternative, more efficient forum for adjudicating patent validity, Congress did not intend to relegate the district courts to providing advisory opinions on validity and infringement based on what the claims *actually* mean as a mere warm-up to an invalidity ruling by the PTAB based on what the claims *might* mean. But this is precisely what is happening under the PTO's rule. The PTAB's use of the "broadest reasonable interpretation" fosters uncertainty and creates an inefficient and unworkable two-track system for adjudication of patent rights. It defies common sense to presume that, with the AIA, Congress intended or condoned these results. *See FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000).

Third, the PTAB's use of the "broadest reasonable interpretation" standard degrades the substantive rights of inventors in ways Congress could not have intended. When a patent is given its "broadest" possible interpretation, it is far more likely to read on prior art. *See* 35 U.S.C. §§ 102, 103 (claims invalid if anticipated by or obvious in light of prior art). Application of this standard thus invalidates legitimate patents that would survive if judged on their actual merits and eviscerates the statutory presumption of validity that attaches to issued patents. *See id.* § 282(a). It also creates a deadly Catch-22 for patentees because, while the PTAB (applying that artificially broad standard) is more likely to find a patent invalid, the district court (applying the correct, potentially narrower construction) is less likely to find the patent infringed. That heads-you-win/tails-I-lose dynamic is unfair, illogical, and contrary to of the core

principle of patent law that the same claim construction must be used for infringement and validity.

The potential consequences of the PTAB's application of the "broadest reasonable interpretation" standard are so severe that *amicus* Tessera abandoned the entire remaining term of one of its most valuable patents (directed to assemblies for manufacturing semiconductor chips) in an attempt to prevent the PTAB from applying this artificial claim construction standard to that patent, which could have vitiated a recent arbitration award based on the patent's actual meaning. *See Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 129 at 2, 2014 WL 2135965 (P.T.A.B. May 22, 2014). The willingness of parties like Tessera to forfeit their legitimate patent rights to avoid the likely effects of this artificial standard underscores the gravity of the real-world problems created by the PTO's rule.

This Court should hold that the PTAB's use of the "broadest reasonable interpretation" standard is not a reasonable implementation of the AIA and vacate the judgment below.

ARGUMENT

The PTAB's use of the "broadest reasonable interpretation" in adjudicating patent validity presumes that Congress *sub silentio* empowered the agency to (i) depart from the claim construction standard that has governed patent litigation for over a century, (ii) create a two-track system for adjudicating patent validity in which the controlling standard varies depending on the forum, and (iii) diminish patentees' legitimate property rights. Congress never intended these results.

I. THE PTO'S RULE DEPARTS FROM OVER A CENTURY OF SETTLED LAW

A. Patent Law Has Long Distinguished Between Adjudication Of Issued Patents And Examination Of Patent Applications

1. The patent claim has played a central role in defining the scope of an inventor's property rights for nearly two centuries—at least since 1836 when Congress first required patents to "particularly specify and point out" the "claim[ed]" invention. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (quoting Act of July 4, 1836, ch. 357, § 6, 5 Stat. at 119). A patent's claims are "the measure of [an inventor's] right to relief" and "nothing can be held to be an infringement which does not fall within the terms the patentee has himself chosen to express his invention." *McClain v. Ortmayer*, 141 U.S. 419, 424-25 (1891).

Because patents are directed to those skilled in the art, they are "commonly described by terms of the art ... to which they respectively belong ... requir[ing] peculiar knowledge and education to understand them aright" that would be "scarcely noticeable to a common reader." *Bischoff v. Wethered*, 76 U.S. (9 Wall.) 812, 815 (1870). Courts construing claims to adjudicate infringement and validity accordingly have long determined the "outward embodiment of the terms contained in the patent" as understood by "the mind of those expert in the art." *Id.* That historical function is reflected in the settled rule that federal courts normally give patent claim terms their "ordinary meaning ... as understood by a person of skill in the art." *Phillips*, 415 F.3d at 1314; *see also, e.g., Lakewood Eng'g Co. v. Stein*, 8 F.2d 713, 715 (6th Cir. 1925) (applying "plain, usual, and ordinary meaning" of

patent claims), *cert. denied*, 270 U.S. 661 (1926). As this Court has explained, courts must "be careful not to enlarge, by construction, the claim which the Patent Office has admitted, and which the patentee has acquiesced in, beyond the fair interpretation of its terms." *Burns v. Meyer*, 100 U.S. 671, 672 (1880).

2. In contrast, a different standard historically has applied when the PTO's patent examiners review applications to determine whether patents should issue in the first place. During examination, the PTO (or its predecessor) has long given proposed patent claims "the broadest interpretation which they will support without straining the language in which they are couched." *Podlesak v. McInnerney*, 1906 Dec. Comm'r Pat. 265, 268. In that setting, the PTO does not determine what the claims *actually* mean, only what they *might reasonably* mean. *See PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, --- F.3d ---, No. 2015-1364, 2016 WL 692369, at *5 (Fed. Cir. Feb. 22, 2016) (contrasting PTO's application of "broadest reasonable interpretation" standard with district court's "*correct* construction" (emphasis added)).

The PTO's use in that context of an artificially broad claim construction standard is driven by important differences between examination of patents (administered by the PTO) and adjudication of the validity of issued patents (traditionally presided over by federal courts). Unlike the courts, which are tasked with giving "a fixed, unambiguous, legally operative meaning to the claim," *Chimie v. PPG Indus., Inc.*, 402 F.3d 1371, 1377 (Fed. Cir. 2005), the primary objective of the examination process is to work with applicants and patentees "to fashion claims that are precise, clear,

correct, and unambiguous." *In re Zletz*, 893 F.2d 319, 322 (Fed. Cir. 1989). That rigorous examination process provides inventors (and investors) with the assurance that issued claims are legally sound and entitled to the statutory presumption of validity. *See* 35 U.S.C. § 282. Use of the "broadest reasonable interpretation" rule in that context "serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified," because the examiner will have already considered the claims under a standard that is more difficult for the patentee to overcome with respect to validity. *In re Bigio*, 381 F.3d 1320, 1324 (Fed. Cir. 2004) (citation omitted).

Use of the broadest reasonable claim interpretation during an examination is not unfair, moreover, because patent claims have always been "readily amended as part of the examination process" in order to circumvent prior art, recite eligible subject matter, and ensure an adequate written description. *Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987); *see also* 37 C.F.R. § 1.114 (permitting applicant to seek "continued examination" after a final rejection to propose further amendments). The "ability to amend ... claims to avoid cited prior art distinguishes [examination] proceedings before the PTO from [adjudicative] proceedings in federal district courts on issued patents," which are adversarial in nature. *In re Yamamoto*, 740 F.2d 1569, 1571-72 (Fed. Cir. 1984) (discussing patent reexamination procedures).[3]

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[3] The patentee may also abandon an application during prosecution and file a new application (with new claims) that uses

The courts have long approved of the "broadest reasonable interpretation" standard during initial examinations precisely because the claims may be freely amended. *In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A 1969) (claims given broadest reasonable interpretation during initial examination "since the applicant may then amend his claims"); *see also In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014) ("[T]he sole basis for the 'broadest reasonable interpretation' rubric is the ability to amend claims." (citation omitted)).

3. The "broadest reasonable interpretation" standard has also long been used in other proceedings administered by the PTO—reissues, reexaminations, and interferences. Pet. App. 13a-14a (collecting cases). Each of these proceedings is akin to initial examination proceedings in relevant respects and far removed from conventional district court adjudication of patent rights. In particular, like initial examinations, these proceedings provide applicants or patentees with the right to freely amend claims—or, at a minimum, provide sufficient time for an applicant or patentee to seek new claims.

a. A patentee can institute reissue proceedings to correct patents that the patentee believes are "wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent." 35 U.S.C. § 251(a). A reissue application is "examined in the same manner as"—and "subject to all the requirements of"—an initial application. 37 C.F.R. § 1.176(a). As with initial

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the written description, drawings, and filing date of the old application. *See* 35 U.S.C. § 120; 37 C.F.R. §§ 1.53(b), 1.78.

examination, a patentee in reissue proceedings can liberally amend claims, 35 U.S.C. § 251(a),[4] or file new claims entirely (in divisional or continuing applications) using the original specification, *In re Graff*, 111 F.3d 874, 876-77 (Fed. Cir. 1997). And, as with initial examination, the courts have approved application of the "broadest reasonable interpretation" standard in reissue proceedings because amendments are freely allowed in those proceedings. *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A 1981).

b. Ex parte reexamination and inter partes reexamination (the procedure replaced by IPR) are also akin to initial examination and reissue proceedings in that patentees, again, are permitted to freely amend claims. The PTO initiates reexamination upon a showing that "a substantial new question of patentability" exists in light of prior art submitted by the requesting party. 35 U.S.C. § 303(a) (ex parte reexamination); 35 U.S.C. § 312(a) (2006) (inter partes reexamination, pre-AIA). Once authorized, examination is "conducted according to the procedures established for initial examination" and the patentee may "propose *any* amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited" in the reexamination request "or in response to a decision adverse to the patentability of a claim of a patent." 35 U.S.C. § 305 (emphasis added) (ex parte

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[4] The ability to amend in reissue proceedings is nearly as liberal as in initial examinations. There are only two additional constraints in the reissue context: claims can only be broadened within two years of the patent's issuance and the patentee cannot inject "new matter" into a continuing application. 35 U.S.C. § 251(a), (d).

reexamination); 35 U.S.C. § 314 (2006) (inter partes reexamination, pre-AIA).[5] The courts, accordingly, have approved application of the "broadest reasonable interpretation" standard to reexamination proceedings as well. *In re Yamamoto*, 740 F.2d at 1571-72.

c. Interference proceedings (which no longer exist post-AIA) were used to determine who was the original inventor as between two competing patent applications (or between a patent application and an issued patent). 35 U.S.C. § 135(a) (2006) (pre-AIA). An interference could only be initiated if the parties were claiming the "same" invention. *See* 37 C.F.R. § 41.203; *see also Eli Lilly & Co. v. Bd. of Regents of the Univ. of Wash.*, 334 F.3d 1264, 1268 (Fed. Cir. 2003), *cert. denied*, 541 U.S. 968 (2004). Once that threshold requirement was established, the parties could bring a variety of "preliminary motions" to challenge the patentability of their adversary's claims (in addition to contesting which party was the first to invent). 37 C.F.R. § 1.633 (2004) (pre-AIA); *see also* Jerome Rosenstock, *Priority of Invention and the AIA* § 11.01[A] (2016). To make such determinations in an interference, the Board of Patent Appeals and Interferences (the PTAB's predecessor) construed the claims using "a variant of the broadest reasonable interpretation standard." Pet. App. 18a.

When an interference involved two co-pending patent applications, it was, in essence, nothing more than an outgrowth of the examination process. The applicant could move to amend or narrow its claims in the interference, 37 C.F.R. § 1.633(c), (i), and

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[5] Only broadening amendments are prohibited. *See* 35 U.S.C. § 305; 35 U.S.C. § 314(a) (2006) (pre-AIA).

regardless of the outcome, "[j]urisdiction over an application return[ed] to the examiner" after the interference and ex parte examination could continue as usual, Manual of Patent Examining Procedure § 2308 (9th ed. Rev. 7, Oct. 2015). Courts approved of the broadest reasonable interpretation standard in that context. *See, e.g., In re Crish*, 393 F.3d 1253, 1256 (Fed. Cir. 2004).

When an interference involved an already issued patent, a patentee could not directly amend the claims. *See* 37 C.F.R. § 1.633(c) (permitting motion to "amend[] an *application* claim," but not *issued* patent claim). But the patentee *could* pursue a reissue application to "narrow its claims" and address problems raised by the opposing party in the interference. *Bamberger v. Cheruvu*, 55 U.S.P.Q.2d 1523, 1998 WL 1669308, at *4 (B.P.A.I. Feb. 19, 1998); *see also* 37 C.F.R. § 1.633(h), (i). The Board approved the use of broadest reasonable interpretation standard in that context precisely because such narrowing was possible, and implied that, absent that ability, there would be serious concerns about applying the standard to an issued patent. *Bamberger*, 1998 WL 1669308, at *4-5.

The Federal Circuit itself never "directly" approved using the broadest reasonable interpretation standard to determine the validity of an already issued patent in an interference proceeding. Allyson E. Mackavage, *One-Off or a Sign of Things to Come?* In re Cuozzo *And the Scope of the United States Patent and Trademark Office's Rulemaking Authority*, 1115 Colum. L. Rev. Sidebar 93, 102 n.54 (2015). And its use in such circumstances was criticized well before the present controversy over IPRs. William J. Blonigan, *Road Under Construction: Administrative Claim*

Interpretations and the Path of Greater Deference from the Federal Circuit to the Patent Office, 35 AIPLA Q.J. 415, 434-36 (2007). But the ability (effectively) to amend the claims makes such proceedings more like initial examination (where the broadest reasonable interpretation standard appropriately applies) than like district court litigation (where patents are given their ordinary meaning).[6]

d. In sum, as this discussion illustrates, the broadest reasonable interpretation standard traditionally has been applied only in the initial examination process or related proceedings where an applicant or patentee can readily amend its claims to overcome any patentability problems that arise. And in those contexts the courts and PTO traditionally approved use of that standard only because such amendments were possible. The government thus rightly concedes that "the standard's applicability" in the present case turns on the degree to which "the language of the patent claim is still subject to amendment"—*i.e.*, whether the PTO's procedures are

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[6] The "bilateral" nature of an interference also makes application of the "broadest reasonable interpretation" standard more tolerable than it would be in a "unilateral" dispute over the validity of one party's patent. In an interference, there is a "check" on the process because the prevailing party's patent rights are necessarily limited by the positions it adopts to invalidate an adversary's patent. "[I]nterference proceedings are part of the public record and shed light on the meaning of the claims" at issue in the interference, much like the file history that emerges from ex parte patent prosecution. *See Phillips Petroleum Co. v. Huntsman Polymers Corp.*, 157 F.3d 866, 872 (Fed. Cir. 1998); *Ethicon Endo-Surgery, Inc. v. U.S. Surgical Corp.*, 93 F.3d 1572, 1579-81 (Fed. Cir. 1996).

"more closely analogous to initial examination ... than to district-court litigation." Opp. 12, 14.

B. Congress Created The New PTAB Proceedings As An Alternative To District Court Adjudication, Not As An Extension Of The Examination Process

In the 2011 AIA, Congress created a new body (the PTAB, within the PTO) and tasked it with new procedures for reviewing the validity of issued patents: *inter partes* review ("IPR") and post-grant review ("PGR") (collectively, "post-grant proceedings").[7] Unlike the PTO's historic patent *examination* procedures, the agency itself acknowledges that the PTAB's post-grant proceedings are "a trial, adjudicatory in nature [that] constitutes litigation"—they are "neither a patent examination nor a patent reexamination." *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper 50 at 4, 2014 WL 2863836 (P.T.A.B. Feb. 13, 2014); *see also* 37 C.F.R. § 42.100(a) ("An *inter partes* review is a trial ...."). The Federal Circuit also recognizes that "IPR may be said to be adjudicatory rather than an examination." Pet. App. 17a. With good reason. The text, structure, and purpose of the AIA demonstrate that these new post-grant proceedings are intended to be an alternative to district court litigation rather than an extension of the examination process.

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[7] The statute also provides for another form of post-grant review called "covered business method" ("CBM") review, which addresses "patent[s] that claim[] a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service." AIA § 18(d)(1).

1. The statutory text and structure establish that the PTAB's post-grant proceedings are an adjudicative substitute to district court litigation, not an additional type of examination.

First, unlike patent examination procedures, which generally are conducted *ex parte* by *patent examiners* with none of the trappings of a trial, IPR and PGR are overtly trial-like, conducted *inter partes* before a panel of *administrative patent judges* sitting on the PTAB. 35 U.S.C. § 6(a), (b)(4).[8] A party, usually an accused infringer, asks the PTAB to review the validity of a patent by filing a petition for IPR or PGR. *Id.* §§ 311, 321. The patent owner then has an opportunity to respond. *Id.* §§ 313, 323. If the PTAB grants a petition and institutes a review, a three-judge panel presides over a trial-like process involving a limited period of discovery (including depositions and expert discovery), a round of briefing, motion practice, and a trial, before it issues a final written decision. *See Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) (citing H.R. Rep. No. 112-98, pt. 1, at 46-47 (2011)); *see also* 35 U.S.C. § 6(a), 316(a).

Second, unlike in patent examination (and reissue and reexamination proceedings), during the PTAB's post-grant proceedings claims cannot be "readily amended" as of right. *Burlington Indus.*, 822 F.2d at 1583. Instead, patentees are allowed "1 motion to amend the patent" by either "[c]ancel[ling] any challenged patent claim" or by "propos[ing] a

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[8] Unlike patent examiners, who are chosen primarily for their expertise in a particular field of technology, PTAB judges must be "persons of competent legal knowledge and scientific ability." 35 U.S.C. § 6(a).

reasonable number of substitute claims." 35 U.S.C. §§ 316(d)(1), 326(d)(1). And the standards for granting these motions to amend are extremely high. Under current practice at the PTAB, the patent owner has the burden "to show a patentable distinction of each proposed substitute claim over the prior art," and "persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner." *Idle Free Sys., Inc. v. Bergstrom, Inc.*, No. IPR2012-00027 (JL), Paper 26 at 7, 2013 WL 5947697, at *4 (P.T.A.B. June 11, 2013); *see also Nike, Inc. v. Adidas AG*, — F.3d ---, 2016 WL 537609, at *20 (Fed. Cir. Feb. 11, 2016) (approving *Idle Free* standard). Additional motions are only permitted to facilitate settlement or on a showing of good cause by the patent owner. 35 U.S.C. §§ 316(d)(2), 326(d)(2).

In practice, amendments requested during the PTAB's post-grant proceedings are rarely granted. According to one study, through December 16, 2015, the PTAB has granted *just six* motions to amend (covering thirty-one claims) in over three years of administering IPR proceedings—out of at least 80 attempted motions to amend. Harness Dickey & Pierce PLC, *Harnessing Patent Office Litigation* at 2 & n.4 (2016), http://ipr-pgr.com/wp-content/uploads/2016/02/IPR-PGR-Report-Vol.-12.pdf; Fitzpatrick, Cella, Harper & Scinto, *Just the Stats: IPR: Decisions on Requests to Amend the Claims*, Post-Grant HQ (June 30, 2015), http://www.postgranthq.com/statistics/ipr-decisions-on-requests-to-amend-the-claims/. This is nothing like the collaborative examination process, where claims can be freely amended as of right in an iterative process with responsive feedback provided by

the patent examiner to ensure that they satisfy the patentability requirements.

Also, because IPRs have statutorily imposed time limits (one year from institution, subject to one six-month extension for good cause), there is little ability, as a practical matter, to pursue new claims through separate applications or reissue proceedings (which can take years). *See* 35 U.S.C. § 316(a)(11) (time limit on IPRs); 37 C.F.R. § 42.100(c) (same); U.S. Patent and Trademark Office, *Ex Parte Reexamination Filing Data* at 1 (Sept. 2014), http://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up_EOY2014.pdf (ex parte reexaminations average 22.3 months); Edmund J. Walsh & Stuart V.C. Duncan Smith, *Saving Patents from Inter Partes Review with Reissue*, 90 P.T.C.J. 2108 (May 22, 2015) (reissues average 3.5 years). An IPR will virtually always conclude before any such parallel proceedings are complete. In fact, in an IPR, the PTAB has the authority to stay parallel PTO proceedings that involve the same patent (such as reissues or reexaminations), to avoid conflicting results. 35 U.S.C. § 315(d); 37 C.F.R. § 42.3(a); *see also, e.g.*, *Hewlett-Packard Co. v. MCM Portfolio LLC*, IPR2013-00217, Paper 8, 2013 WL 8701596 (P.T.A.B. May 10, 2013) (staying reissue pending IPR); *Ford Motor Co. v. Signal IP, Inc.*, IPR2015-00860, -00861, Paper 11 (P.T.A.B. Oct. 1, 2015) (staying reexamination pending motion to consolidate reexamination with IPR).

Third, the AIA includes certain estoppel provisions that further demonstrate Congress's intent for the PTAB proceedings to be an alternative to district court adjudication. For example, an accused infringer is barred from filing a petition to initiate post-grant

proceedings in the PTAB if it has already filed a declaratory judgment action for invalidity in district court, and the district court is required to stay any declaratory judgment action filed after a petition to initiate post-grant proceedings is filed. 35 U.S.C. §§ 315(a)(1)-(2), 325(a)(1)-(2). Also, if an accused infringer fails to raise a ground of patentability in its petition that could have been raised, it is estopped from relying on that ground in any subsequent district court proceeding. *Id.* §§ 315(e)(2), 325(e)(2). The reason Congress sought to eliminate duplication is that, when addressing disputes over patent validity, Congress intended that the PTAB and the courts would be performing the same function.

2. The legislative history confirms that Congress intended the PTAB's procedures to substitute for district court validity litigation. The House Report on the AIA emphasizes that the PTAB's post-grant proceedings were intended to "provid[e] quick and cost effective alternatives to litigation" and would take place "in a court-like proceeding." H.R. Rep. No. 112-98, pt. 1, at 48, 68. The primary Senate sponsor of the legislation similarly explained that the purpose of the new proceedings is to "decrease[] the likelihood of expensive litigation" by "creat[ing] a less costly, in-house administrative alternative to review patent validity claims." 157 Cong. Rec. S1111 (daily ed. Mar. 2, 2011) (statement of Sen. Leahy, Exhibit 1).

In addition, prior to the AIA, the PTO administered an "inter partes reexamination" proceeding that was similar to traditional "ex parte" reexamination before a patent examiner. According to the House Report, the intent of the AIA was to "convert[]" this reexamination proceeding "to an *adjudicative* proceeding." H.R. Rep.

No. 112-98, pt. 1, at 46 (emphasis added); *see also* 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (explaining "the shift from an examinational to an adjudicative model.").

Thus, the text, structure, and legislative history of the AIA demonstrate that Congress established the PTAB as a "far-reaching surrogate" for "adjudication of patent validity comparable to that of the district courts, where validity is determined on the legally correct claim construction." Pet. App. 32a, 31a (Newman, J., dissenting).

3. Empirical research bears out Congress's vision of IPR as an "alternative" to district court litigation. According to one study, about 70 percent of IPR petitions are brought by defendants in patent litigation seeking to challenge the validity of issued patents. Saruabh Vishnubhakat, Arti K. Rai, & Jay P Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 Berkeley Tech. L.J. (forthcoming 2016) (manuscript at 5). As Congress intended, accused infringers are initiating post-grant proceedings in the PTAB as an "alternative" to litigating in district court.

C. Congress Did Not Empower The PTO To Depart From The Traditional Standard For Adjudicating Patent Validity

In concluding that the "broadest reasonable interpretation" standard should apply to the PTAB's post-grant proceedings, the Federal Circuit found "no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years." Pet. App. 15a. That rationale fails to appreciate Congress's intent to have the PTO (through the PTAB) take on a function entirely different from the functions served by its historical examination proceedings. Because Congress created the PTAB and its post-grant proceedings as an alternative *adjudicative* forum, the question the Federal Circuit should have addressed (but did not) is whether "the AIA was designed to change the claim construction standard that [the *courts*] ha[ve] applied for more than 100 years." And the answer is no. There is no indication that the AIA was designed to undermine over a century of settled law.

The Federal Circuit, relying on one ambiguous statement by a single Senator, determined that Congress "was well aware that the broadest reasonable interpretation standard was the prevailing rule" at the PTO. *Id.* (discussing 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl)). It then applied the principle that "Congress is presumed to legislate against the background of ... existing law." *Id.* Although it stated the correct legal principle, the Federal Circuit erred in concluding that Congress intended for the traditional standard for *examination* rather than the traditional standard for *adjudication* to

govern the new process for adjudicating issued patents established by the AIA.

Contrary to the Federal Circuit majority's analysis, to the extent Congress was aware of the standard historically guiding examination, it undoubtedly was equally well-aware of the standard historically guiding adjudicative proceedings: for over a century, courts had determined the validity of issued patents based on the actual meaning of the claims to one of skill in the art. *See supra* at 7-8. And, as discussed, the text, structure, and legislative history of the AIA all confirm that Congress created the PTAB's post-grant proceedings to provide an alternative adjudicative forum for parties accused of patent infringement. Contrary to the Federal Circuit majority's view, it is far more likely that Congress intended the new adjudicative proceedings to adhere to the actual-meaning standard that has long and consistently applied to patent adjudications. *See* Vishnubhakat, *supra*, at 5 (same claim construction standard should apply for IPRs to be a true "substitute" to district court litigation as Congress intended). It is unreasonable to presume that, in creating an alternative adjudicative forum, Congress *sub silentio* empowered the PTO to abandon the standard for determining patent validity that has governed patent adjudications for over a century. *See FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000).[9]

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[9] In addition, a Congress aware of the PTO standards would have recognized that the PTO applies the "broadest reasonable interpretation" only in circumstances where claims can be freely amended. When "a reexamination involves claims of an expired patent," which can no longer be amended, the PTO has long applied the same narrower claim construction standard employed

II. THE PTO'S RULE INTRODUCES INEFFICIENCY AND INSTABILITY BY CREATING CONFLICTING STANDARDS FOR ADJUDICATING PATENT VALIDITY

The PTO's adoption of an artificially broad construction standard for adjudicating patent validity in the PTAB has had immediate and destabilizing effects that Congress could not have intended. It creates an unworkable system in which supposedly "alternative" forums systematically reach contradictory conclusions about the validity of the same patents. Far from encouraging faster and more efficient adjudication of patent validity in a single streamlined proceeding before the agency, as Congress intended, *see supra* at 19-20, use by the PTAB of the "broadest reasonable interpretation" system has "enhanced" duplicative litigation by accused infringers eager to secure a tactical advantage. Pet. App. 64a-65a (Newman, J., dissenting from denial of rehearing en banc). In several instances already, patent owners have obtained jury verdicts of validity and infringement in district court under the correct construction of their claims, only to be met with subsequent PTAB decisions finding the same claims invalid under the "broadest reasonable interpretation" standard.

1. For example, in 2013, InterDigital (one of the *amici*) brought suit in district court for infringement of certain cellular networking technology patents. *InterDigital Commc'ns Inc. v. ZTE Corp.*, No. 1:13-cv-00009-RGA (D. Del.). The district court construed

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by the courts. *In re Rambus*, 753 F.3d at 1256; *see also* Manual of Patent Examining Procedure § 2258(I)(G).

InterDigital's asserted patent claims based on what they mean to a person of ordinary skill in the art. *Id.*, ECF Nos. 253, 260, 413. On October 28, 2014, a jury found that certain claims of U.S. Patent No. 8,380,244 ("'244 patent") were infringed and not invalid (*i.e.*, not anticipated or obvious in light of prior art). *Id.*, ECF No. 431 at 4, 7.

In parallel, the accused infringer filed an IPR petition in the PTAB challenging the '244 patent as invalid over the same prior art. *ZTE Corp. v. InterDigital Tech. Corp*, IPR2014-00525, Paper 1, 2014 WL 1159058 (P.T.A.B. Mar. 21, 2014). The PTAB instituted review, *Id.*, Paper 19, 2014 WL 4715525 (P.T.A.B. Sept. 17, 2014), and, on September 14, 2015—nearly a year after the jury verdict for InterDigital—the PTAB found the '244 patent claims invalid on the very same grounds that the jury rejected. *Id.*, Paper 48, 2014 WL 10405879 (P.T.A.B. Sept. 14, 2015) (correct date of decision noted on PTAB public electronic docket). In doing so, the PTAB applied what it found to be the "broadest reasonable interpretation" of the claims—expressly acknowledging that it was applying a different and broader claim construction standard than the district court had applied. *Id.* at 10-13 & n.4, 2014 WL 10405879, at *6-8 & n.4.

2. The travails of another innovative company, Ultratec, made national headlines after the PTAB ruled invalid Ultratec patents that a district court jury had found valid and infringed to the tune of $44 million. Peter J. Pitts, *'Patent Death Squads' vs. Innovation*, Wall St. J., June 10, 2015, http://www.wsj.com/articles/patent-death-squads-vs-innovation-1433978591. In 2013, Ultratec, a small, privately held firm that manufactures captioned phones for the deaf and hard of

hearing, sued a competitor for infringing several Ultratec patents. *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, No. 3:13-cv-00346-bbc (W.D. Wis.). On August 28, 2014, the district court construed various disputed terms and rejected summary judgment on patent validity grounds, *id.*, 45 F Supp. 3d 881 (W.D. Wis. 2014), and, in October 2014, the jury found the asserted patents valid and infringed, and awarded Ultratec $44.1 million, *id.*, ECF Nos. 658, 682.

After being sued, the accused infringer filed several IPR petitions asserting that Ultratec's asserted patent claims were invalid. *See id.*, ECF No. 48 at 2. The PTAB instituted review, *see id.*, ECF No. 196 at 1 & n.1, and, on March 3, 2015, found invalid the same asserted claims that the jury had found valid and infringed, *id.*, ECF No. 876 at 1-2. In doing so, the PTAB considered the purportedly "broadest reasonable interpretation" of the critical claim terms, instead of assessing the claims' validity under their actual meaning, as the district court had done. *Compare id.*, 45 F Supp. 3d at 895-902, 915-19, *with CaptionCall, L.L.C. v. Ultratec, Inc.*, IPR2013-00540, Paper 78 at 5-8, 26-27, 2015 WL 1263028, at *3-5, *15 (P.T.A.B. Mar. 3, 2015).

After the PTAB's decisions, the district court stayed resolution of post-trial motions until the PTAB's ruling becomes final through appeal, *id.*, ECF No. 876 at 11, and the Federal Circuit rejected Ultratec's efforts to vacate the stay, *Ultratec, Inc. v. CaptionCall, LLC*, 611 F App'x 720, 722-23 (Fed. Cir. 2015). Ultratec must attempt to reverse on appeal the PTAB's invalidity ruling based on the PTAB's artificially broad claim construction in order to preserve the verdict of infringement and validity that

the jury already rendered based on the claims' actual meaning.

3. The situations InterDigital and Ultratec face are not unique. The PTAB has frequently disregarded the claim construction of a district court or the Federal Circuit because it was not the "broadest reasonable interpretation" of the claims. *See, e.g., Seagate Tech. (US) Holdings, Inc. v, Enova Tech. Corp.*, IPR2014-00683, Paper 47 at 13-14, 2015 WL 5170256, at *9 (P.T.A.B. Sept. 2, 2015); *Google Inc. v. ContentGuard Holdings, Inc.*, CBM2015-00040, Paper 9 at 20-21, 2015 WL 3920037, at *12 (P.T.A.B. June 24, 2015); *Microsoft Corp. v. VirnetX Inc.*, IPR2014-00612, -00613, -00614, Paper 9 at 6-13, 2014 WL 5320530, at *4-8 (P.T.A.B. Oct. 15, 2014), *modified on rehearing on other grounds*, Paper 12, 2014 WL 5840667 (P.T.A.B. Oct. 30, 2014). Also, last October, the PTAB found invalid two hybrid vehicle technology patents that a jury found valid and infringed just days later. *See* Kurt Orzeck, *Paice Wins $29M In Hybrid Tech Spat With Hyundai, Kia*, Law360 (Oct. 5, 2015), http://www.law360.com/articles/711064/paice-wins-29m-in-hybrid-tech-spat-with-hyundai-kia. And the Federal Circuit has already encountered multiple cases in which the PTAB reached a different conclusion on validity from the district court. *Smartflash LLC v. Apple Inc.*, 621 F App'x 995, 1006 (Fed. Cir. 2015); *Versata Software, Inc. v. SAP Am., Inc.*, No. 2:07cv153-RSP, 2014 WL 1600327, at *2 (E.D. Tex. Apr. 21, 2014), *aff'd sub nom. Versata Computer Indus. Solutions, Inc. v. SAP AG*, 564 F App'x 600, 600-01 (Fed. Cir. 2014). These cases are the tip of the iceberg. As the volume of PTAB cases increases, such contradictory rulings, driven by the

conflicting claim construction standards, will be a mainstay of the patent system.

There is no sound reason (certainly none rooted in the text or history of the AIA) to presume that, while district courts continue assessing patent validity based on what the patent claims *actually* mean, Congress empowered the PTAB to invalidate claims based on what the claims *might* mean, creating a two-track system with conflicting standards and destabilizing uncertainty. Congress is not presumed to intend or condone such anomalous results. *See Brown & Williamson Tobacco Corp.*, 529 U.S. at 133.

III. THE PTO'S RULE UNDERMINES PATENTEES' LEGITIMATE PROPERTY RIGHTS

The PTO's "broadest reasonable interpretation" standard for PTAB post-grant proceedings diminishes the substantive rights of inventors in ways that Congress never intended.

First, the PTO's rule weakens Congress's statutory guarantee that "[a] patent shall be presumed valid." 35 U.S.C. § 282(a). In a district court action, an accused infringer can overcome the statutory presumption of validity only by proving that the claims, as *correctly* construed, are invalid over prior art "by clear and convincing evidence." *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011). In the PTAB, because claims are instead given their "broadest reasonable interpretation,"they are more likely to be found invalid (anticipated or obvious) in light of prior art. *See* 35 U.S.C. §§ 102, 103. By refusing to accord patentees an accurate characterization of the metes and bounds of their claims when deciding their validity,

and instead saddling them with artificially broad claim constructions that are more likely to read on prior art, the PTAB's rule undercuts Congress's statutory guarantees and diminishes patentees' substantive property rights. *See* Pet. App. 56a (Prost, C.J., dissenting from denial of rehearing en banc) (PTO's rule "violate[s] the bargain the patentee struck with the public").

Second, the PTO's rule gives accused infringers two bites at the apple to avoid liability in two different forums under two different standards, violating the well-established principle that "claims must be interpreted and given the same meaning for purposes of both validity and infringement analyses." *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988); *see also Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1351 (Fed. Cir. 2001) ("A patent may not, like a 'nose of wax,' be twisted one way [for purposes of validity] and another [for infringement]." (citation omitted)). In district court litigation, an accused infringer benefits from the court's narrower (correct) construction, under which it is easier to show non-infringement. Then, in a parallel PTAB challenge to the patent's validity, the accused infringer benefits from the PTAB's broader (hypothetical) construction, under which it is easier to show invalidity. The accused infringer gets the best of both worlds and the patentee gets the best of neither. There is no evidence that Congress intended to put patentees at such an acute and unfair disadvantage.

The practical impact on patentees' property is sufficiently serious that Tessera (one of the *amici*) was willing to abandon the remaining term of one of its

most valuable patents directed to assemblies for manufacturing semiconductor chips to avoid the application of the broadest reasonable interpretation standard in proceedings before the PTAB. Tessera brought arbitration claims alleging that its former licensee Amkor failed to pay royalties for its use of Tessera patents, as required by a patent licensing agreement. *See Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 98 at 3, 2014 WL 2864151 (P.T.A.B. Jan. 31, 2014). The arbitrators, among other things, found that Amkor owed Tessera royalties for using Tessera's U.S. Patent No. 6,046,076 ("'076 patent"), and rejected Amkor's validity challenge to the '076 patent. *Id.* at 4; *id.*, Paper 37 at 14, 2013 WL 5653117 at *7 (P.T.A.B. Oct. 11, 2013). The arbitrators awarded Tessera $128 million, and a California appeals court affirmed the award in November 2014. *Amkor Tech., Inc. v. Tessera, Inc.*, No. A139596, 2014 WL 6677363 (Cal. Ct. App. Nov. 25, 2014); Michael Lipkin, *Tessera's $128M IP Arbitration Award Upheld By Calif. Court*, Law360 (Nov. 25, 2014), http://www.law360.com/articles/599608.

While the arbitration proceedings were pending, however, Amkor filed an IPR petition against the '076 patent in an effort to undermine the arbitration award. The PTAB agreed to initiate review. Had the PTAB cancelled Tessera's patent in the IPR proceedings, it would not only have terminated Tessera's patent rights going forward but could also have affected the enforceability of the $128 million arbitration award for past infringement of that patent. Although the patent had not yet expired, Tessera chose to voluntarily relinquish its remaining term, forfeiting prospective royalties, by filing a terminal disclaimer—an attempt

to forestall the PTAB from assessing the patent's validity under the "broadest reasonable interpretation" standard. *Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 129 at 2, 2014 WL 2135965 (P.T.A.B. May 22, 2014); Ryan Davis, *Tessera Says Terminal Patent Disclaimer Dooms AIA Review*, Law360 (Apr. 22, 2014), http://www.law360.com/articles/530525. The filing of a terminal disclaimer is equivalent to the expiration of the patent term, and as noted above, there is no question that at least in a reexamination context, the PTO must use the narrower district court claim construction standard when a patent is expired. *See* note 9 *supra*.

Tessera's willingness to make the difficult decision to forego the remaining term on one of its most valuable patents to avoid the more likely invalidation of that patent (and the possible invalidation of its arbitration award) under the "broadest reasonable interpretation" standard highlights the extent to which the PTO's application of that artificial standard compromises the rights of patent holders.

CONCLUSION

The judgment below should be vacated and the case remanded for further consideration.

Respectfully submitted,

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Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF INTERDIGITAL, INC., TESSERA TECHNOLOGIES, INC. AND FALLBROOK TECHNOLOGIES INC. AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

INTERESTS OF AMICI CURIAE 1

SUMMARY OF ARGUMENT 2

ARGUMENT 7

I. THE PTO'S RULE DEPARTS FROM OVER A CENTURY OF SETTLED LAW ON THE STANDARD GOVERNING THE ADJUDICATION OF PATENT VALIDITY 7

A. Patent Law Has Long Distinguished Between Adjudication Of Issued Patents And Examination Of Patent Applications 7

B. Congress Created The New PTAB Proceedings As An Alternative To District Court Adjudication, Not An Extension Of The Examination Process 11

C. Congress Did Not Empower The PTO To Depart From The Traditional Standard For Adjudicating Patent Validity 15

II. THE PTO'S RULE FOSTERS INEFFICIENCY AND INSTABILITY BY INTRODUCING CONFLICTING STANDARDS FOR ADJUDICATING PATENT VALIDITY 17

TABLE OF CONTENTS—Continued

Page

III. THE PTO'S RULE UNDERMINES PATENTEES' LEGITIMATE PROPERTY RIGHTS 20

CONCLUSION 24

TABLE OF AUTHORITIES

Page(s)

Abbott Laboratories v. Cordis Corp.,
710 F.3d 1318 (Fed. Cir. 2013) 12

Amazon.com, Inc. v. Barnesandnoble.com, Inc.,
239 F.3d 1343 (Fed. Cir. 2001) 21

Amkor Technology, Inc. v. Tessera, Inc.,
No. A139596, 2014 WL 6677363 (Cal. Ct. App. Nov. 25, 2014) 22

In re Bigio,
381 F.3d 1320 (Fed. Cir. 2004) 10

Bischoff v. Wethered,
76 U.S. (9 Wall.) 812 (1870) 8

Burlington Industries, Inc. v. Quigg,
822 F.2d 1581 (Fed. Cir. 1987) 10, 12

Burns v. Meyer,
100 U.S. 671 (1880) 8

Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.,
467 U.S. 837 (1984) 3

Chimie v. PPG Industries, Inc.,
402 F.3d 1371 (Fed. Cir. 2005) 9

FDA v. Brown & Williamson Tobacco Corp.,
529 U.S. 120 (2000) 6, 16, 20

TABLE OF AUTHORITIES—Continued

Page(s)

Lakewood Engineering Co. v. Stein,
8 F.2d 713 (6th Cir. 1925) 8

McClain v. Ortmayer,
141 U.S. 419 (1891) 8

Microsoft Corp. v. i4i Ltd. Partnership,
131 S. Ct. 2238 (2011) 21

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005) 4, 8

Podlesak v. McInnerney,
1906 Dec. Comm'r Pat. 265 9

In re Prater,
415 F.2d 1393 (C.C.P.A 1969) 10

In re Rambus, Inc.,
753 F.3d 1253 (Fed. Cir. 2014) 4, 9, 16

In re Reuter,
670 F.2d 1015 (C.C.P.A 1981) 10

Smartflash LLC v. Apple Inc.,
— F App'x —, 2015 WL 4603820 (Fed. Cir. July 30, 2015) 20

SmithKline Diagnostics, Inc. v. Helena Laboratories Corp.,
859 F.2d 878 (Fed. Cir. 1988) 21

Ultratec, Inc. v. CaptionCall, LLC,
611 F App'x 720 (Fed. Cir. 2015) 19

TABLE OF AUTHORITIES—Continued

Page(s)

Ultratec, Inc. v. Sorenson Communications, Inc., 45 F Supp. 3d 881 (W.D. Wis. 2014) 19

Versata Software Inc. v. SAP AG, 564 F. App'x 600 (Fed. Cir. 2014) 20

In re Yamamoto, 740 F.2d 1569 (Fed. Cir. 1984) 10

In re Zletz, 893 F.2d 319 (Fed. Cir. 1989) 10

ADMINISTRATIVE MATERIALS

Amkor Technology, Inc. v. Tessara, Inc., IPR2013-00242, Paper 37 (P.T.A.B. Oct. 11, 2013) 22

Amkor Technology, Inc. v. Tessera, Inc., IPR2013-00242, Paper 98 (P.T.A.B. Jan. 31, 2014) 22

Amkor Technology, Inc. v. Tessera, Inc., IPR2013-00242, Paper 129 (P.T.A.B. May 22, 2014) 6, 23

CaptionCall, L.L.C. v. Ultratec, Inc., IPR2013-00540, Paper 78, 2015 WL 1263028 (P.T.A.B. Mar. 3, 2015) 19

Google Inc. v. Jongerius Panoramic Techs., LLC, IPR2013-00191, Paper 50 (P.T.A.B. Feb. 13, 2014) 11

TABLE OF AUTHORITIES—Continued

Page(s)

Idle Free Systems, Inc. v. Bergstrom, Inc., No. IPR2012-00027 (JL), Paper 26, 2013 WL 5947697 (P.T.A.B. June 11, 2013) 12

MasterImage 3D, Inc. v. RealD Inc., IPR2015-00040, Paper 42 (P.T.A.B. July 15, 2015) 12

STATUTORY AND REGULATORY PROVISIONS

35 U.S.C. § 6(a) 11, 12

35 U.S.C. § 6(b)(4) 11

35 U.S.C. § 102 ..... 6, 21

35 U.S.C. § 103 ..... 6, 21

35 U.S.C. § 282(a) 6, 21

35 U.S.C. § 311 12

35 U.S.C. § 313 12

35 U.S.C. § 315(a)(1) 13

35 U.S.C. § 315(a)(2) 13

35 U.S.C. § 315(e)(2) 13

35 U.S.C. § 316(d)(1) 12

35 U.S.C. § 316(d)(2) 13

TABLE OF AUTHORITIES—Continued

Page(s)

35 U.S.C. § 321 12

35 U.S.C. § 323 12

35 U.S.C. § 325(a)(1) 13

35 U.S.C. § 325(a)(2) 13

35 U.S.C. § 325(e)(2) 13

35 U.S.C. § 326(d)(1) 12

35 U.S.C. § 326(d)(2) 13

Act of July 4, 1836, ch. 357, § 6, 5 Stat. 117 ..... 2, 8

37 C.F.R. § 42.100(a) 11

37 C.F.R. § 42.100(b) 3

LEGISLATIVE MATERIALS

157 Cong. Rec. S1111 (daily ed. Mar. 2, 2011) 14

157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) 15

H.R. Rep. No. 112-98, pt. 1 (2011) 12, 14

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Ryan Davis, *Tessera Says Terminal Patent Disclaimer Dooms AIA Review* (Apr. 22, 2014), http://www.law360.com/articles/530525 23

TABLE OF AUTHORITIES—Continued

Page(s)

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Raymond Mandra & Corinne Atton, *Statistics Show IPRs Favor Patent Challenges*, Today's General Counsel, Aug./Sept. 2015 13

Manual of Patent Examining Procedure (9th ed. Rev. 7, Oct. 2015) 9, 16

Kurt Orzeck, *Paice Wins $29M In Hybrid Tech Spat With Hyundai, Kia* (Oct. 5, 2015), http://www.law360.com/articles/711064/paice-wins-29m-in-hybrid-tech-spat-with-hyundai-kia 20

Peter J. Pitts, *'Patent Death Squads' vs. Innovation*, Wall St. J., June 10, 2015 18

INTERESTS OF AMICI CURIAE

Amici are leaders in the development of technologies that drive some of the most dynamic sectors of the American economy.[1]

InterDigital, Inc. ("InterDigital"), based in Wilmington, Delaware, has been a pioneer in mobile technology and a key contributor to global wireless communication standards for over four decades. The company's patented innovations have been critical to the deployment of 2G, 3G, 4G, and IEEE 802-related wireless networks and compatible products.

Tessera Technologies, Inc. ("Tessera"), a public technology company based in San Jose, California, has been researching and developing semiconductor and imaging technologies for nearly 25 years. Over 100 billion semiconductor chips have shipped with Tessera's semiconductor technology, and Tessera's advanced imaging technology is embedded in more than 60 percent of global high-end smartphones.

Fallbrook Technologies Inc. ("Fallbrook"), based in Cedar Park, Texas, develops and licenses mechanical energy management solutions for the transportation industry and manufactures and sells advanced bicycle transmissions. Fallbrook's energy management

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[1] The parties have consented to the filing of this *amicus* brief. Counsel of record for all parties received notice at least 10 days prior to the due date of the intention to file this brief. No counsel for a party authored this brief in whole or in part; and no such counsel or any party made a monetary contribution intended to fund the preparation or submission of this brief. No person or entity, other than *amici* and their counsel, made a monetary contribution intended to fund its preparation or submission.

solutions enable vehicles that can better achieve tougher future gas mileage and emissions standards.

Collectively, *amici* employ hundreds of engineers, including many with advanced degrees. They invest tens of millions of dollars annually in research and development related to their core technology areas. They have thousands of patents in their respective fields. They have seen first-hand the perverse and destabilizing effects of the Patent Trial and Appeal Board's ("PTAB") use of the "broadest reasonable interpretation" (or "broadest reasonable construction") standard. This standard not only departs from the test that has governed well over a century of patent validity adjudication, it also forces patentees to face conflicting claim construction standards in two different fora, and dramatically undermines their substantive property rights in ways never contemplated by Congress. *Amici*, therefore, have a profound interest in the first Question Presented in the petition for certiorari. *See* Pet. II.

SUMMARY OF ARGUMENT

In 1836, Congress imposed the requirement that patents separately recite with specificity what is "claim[ed]." Act of July 4, 1836, ch. 357, § 6, 5 Stat. 117, 119. Those recitations in a patent of the metes and bounds of the invention are now commonly referred to as "claims." When accused infringers challenge a patent's validity in district court litigation, the patent's claims are first interpreted (or "construed") to

determine their meaning to a person of ordinary skill in the art.[2]

In 2011, in the America Invents Act ("AIA"), Congress created an alternative (more cost-effective and efficient) litigation forum in which accused infringers can challenge the validity of issued patents: the PTAB of the United States Patent and Trademark Office ("PTO"). When it enacted regulations to govern this new forum, the PTO adopted a rule providing that, in contrast to the courts' longstanding practice of adjudicating a patent's validity based on what its claim terms *actually* mean, the PTAB would adjudicate a patent's validity based on its "broadest reasonable construction." 37 C.F.R. § 42.100(b).

In the present action, Cuozzo argued that Congress never authorized the PTAB to adjudicate patent validity under this artificially broad claim construction standard, which undermines their legitimate patent rights. A divided panel of the Federal Circuit disagreed, and held that, in adopting that standard for PTAB proceedings, the PTO reasonably interpreted its Congressional mandate under the AIA. Pet. App. 18a-19a (applying *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984)). The sharply divided court then denied rehearing en banc, by a 6:5 vote. *Id.* at 48a-51a.

This matter merits the Court's attention. The PTO's rule is fundamentally incompatible with the adjudicative nature of the PTAB's proceedings and creates between the PTAB and the courts a double standard that whipsaws patentees, destabilizes the

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[2] The same standard and process also apply in International Trade Commission proceedings.

patent system, and profoundly weakens patent rights. The Federal Circuit's decision upholding the PTO's enforcement of the "broadest reasonable interpretation," in lieu of the actual meaning of the claim, is erroneous—and warrants review—for three overarching reasons.

First, Congress intended the PTAB to serve as an alternative forum for adjudicating patent validity, a function that historically and inherently requires each issued patent claim to be judged by its actual meaning. Patent law draws a sharp distinction between (i) claim construction that occurs in adjudicative proceedings involving an issued patent and (ii) claim construction that occurs during the PTO's examination proceedings. In the adjudication context, the actual meaning of the claim—the "meaning that the term would have to a person of ordinary skill in the art ... at the time of the invention"—has long governed questions of both patent validity and infringement. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc). During examination, the PTO's patent examiners instead give claims an artificial "broadest reasonable interpretation" to facilitate patent prosecution in a collaborative process where applicants are allowed to amend claims freely and frequently. *In re Rambus, Inc.*, 753 F.3d 1253, 1255-56 (Fed. Cir. 2014).

Although the new post-grant proceedings created by the AIA are not administered by district courts, but instead by the PTO (through the newly-created PTAB), the text, structure, and purpose of the AIA show that the point of the new proceedings is to provide a cheaper and quicker alternative forum for the adjudication of patent validity, not an opportunity for further patent examination. Consequently, the

standards used in court and in this new alternative-to-court should be the same. There is no reason to assume Congress intended, when creating an alternative adjudication forum, to change the longstanding standard under which the validity of issued patents has been adjudicated.

Second, the Federal Circuit's decision ensures that, when defending their patent rights, patentees will have to do so under two different and conflicting claim construction standards. As a result, it is highly likely that the district court and the PTAB, though considering identical claims and prior art, will adopt different constructions and reach different conclusions on patent validity. This is creating destabilizing uncertainty about the validity of patent rights, encouraging forum shopping and fostering duplicative strategic litigation on an unprecedented scale. There already have been multiple incidents of patentees (including *amicus* InterDigital) obtaining jury verdicts of patent infringement and validity in the district court only to be met with subsequent PTAB decisions finding the same claims invalid under the "broadest reasonable interpretation" standard.

When establishing the PTAB as an alternative, more efficient forum for adjudicating patent validity, Congress did not intend to relegate the district courts to the role of providing advisory opinions on validity and infringement based on what the claims *actually* mean as a mere warm-up to an invalidity ruling by the PTAB based on what the claims *might* mean. But this is precisely what is happening under the PTO's rule. The PTAB's use of the "broadest reasonable interpretation" deprives patentees of any certainty and creates an inefficient and unworkable two-track system

for adjudication of patent rights under different standards. It defies common sense to presume that, with the AIA, Congress intended or condoned such anomalous results. *See FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000).

Third, the PTAB's use of the "broadest reasonable interpretation" standard undermines the substantive rights of inventors in ways Congress could not have intended. When a patent is given its "broadest" possible interpretation, it is far more likely to read on prior art. *See* 35 U.S.C. §§ 102, 103 (claims invalid if anticipated by or obvious in light of prior art). Application of that standard thus invalidates legitimate patents that would survive on their actual merits and eviscerates the statutory presumption of validity that attaches to issued patents. *See id.* § 282(a). It also creates a Catch-22 for patentees because, while the PTAB (applying that artificially broad standard) is more likely to find a patent invalid, in a parallel action the district court (applying the correct, potentially narrower construction) is less likely to find the patent infringed. That heads-you-win/tails-I-lose dynamic is profoundly unfair, illogical, and contrary to longstanding doctrine requiring use of the same claim construction for infringement and validity.

The potential consequences of the PTAB's application of the artificial "broadest reasonable interpretation" standard are sufficiently severe that *amicus* Tessera abandoned the entire remaining term of one of its most valuable patents directed to assemblies for manufacturing semiconductor chips in an attempt to prevent the PTAB from applying this artificial standard to that patent. *See Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 129 at 2

(P.T.A.B. May 22, 2014). The willingness of parties to forego legitimate patent rights to avoid the likely effects of this standard underscores the gravity of the problem created by the PTO's rule and the pressing need for this Court's intervention.

This Court should grant review to consider whether the PTAB's application of the "broadest reasonable interpretation" standard is a reasonable implementation of the AIA.

ARGUMENT

The PTAB's use of the "broadest reasonable interpretation" in adjudicating patent validity presumes that Congress *sub silentio* empowered the agency to (i) depart from the claim construction standard that has governed patent adjudication for over a century, (ii) create a two-track system for adjudicating patent validity in which the controlling standard varies depending on the forum, and (iii) diminish patentees' legitimate property rights. Congress never intended such anomalous results.

I. THE PTO'S RULE DEPARTS FROM OVER A CENTURY OF SETTLED LAW ON THE STANDARD GOVERNING THE ADJUDICATION OF PATENT VALIDITY

A. Patent Law Has Long Distinguished Between Adjudication Of Issued Patents And Examination Of Patent Applications

1. The patent claim has played a central role in defining the scope of an inventor's property rights for nearly two centuries—at least since 1836 when Congress first required patents to "'particularly specify and point out'" the "'claim[ed]'" invention.

Phillips, 415 F.3d at 1312 (quoting Act of July 4, 1836, ch. 357, § 6, 5 Stat. at 119). A patent's claims are "the measure of [an inventor's] right to relief" and "nothing can be held to be an infringement which does not fall within the terms the patentee himself chose to express his invention." *McClain v. Ortmayer*, 141 U.S. 419, 424-25 (1891).

Because patents are directed to those skilled in the art, they are "commonly described by terms of the art ... to which they respectively belong ... requir[ing] peculiar knowledge and education to understand them aright" that would be "scarcely noticeable to a common reader." *Bischoff v. Wethered*, 76 U.S. (9 Wall.) 812, 815 (1870). Courts construing claims to adjudicate infringement and validity accordingly have long determined the "outward embodiment of the terms contained in the patent" as understood by "the mind of those expert in the art." *Id.* That historical function is reflected in the settled rule that federal courts normally give patent claim terms their "ordinary meaning ... as understood by a person of skill in the art." *Phillips*, 415 F.3d at 1314; *see also, e.g.*, *Lakewood Eng'g Co. v. Stein*, 8 F.2d 713, 715 (6th Cir. 1925) (applying "plain, usual, and ordinary meaning" of patent claims). As this Court has explained, courts must "be careful not to enlarge, by construction, the claim which the Patent Office has admitted, and which the patentee has acquiesced in, beyond the fair interpretation of its terms." *Burns v. Meyer*, 100 U.S. 671, 672 (1880).

2. In contrast, a different standard historically has applied in examination proceedings, such as when the PTO is determining whether patents should issue in the first place. During examination, the PTO (or its

predecessor) has long given proposed patent claims "the broadest interpretation which they will support without straining the language in which they are couched." *Podlesak v. McInnerney*, 1906 Dec. Comm'r Pat. 265, 268. In other words, in that setting, the PTO does not determine what the claims *actually* mean, only what they *might* reasonably mean. That standard remains in place today. *In re Rambus*, 753 F.3d at 1255-56. Over the years, courts have approved use of the "broadest reasonable interpretation" standard in initial examinations, interferences, reissues, and re-examinations. Pet. App. 13a-14a (collecting cases).[3]

The PTO's use in these contexts of an artificially broad claim construction standard is driven by important differences between examination of patents (administered by the PTO) and the adjudication of the validity of issued patents (traditionally presided over by federal courts). Unlike the courts, which are tasked with giving "a fixed, unambiguous, legally operative meaning to the claim," *Chimie v. PPG Indus., Inc.*, 402 F.3d 1371, 1377 (Fed. Cir. 2005), the primary objective

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[3] The Federal Circuit majority opinion states that pre-AIA interference proceedings "are also in some sense adjudicatory." Pet. App. 83a. That is not correct. Interference proceedings are an outgrowth of patent examination rather than an adjudication of patent rights. Interferences involve at least one pending application and are "declared to assist the [PTO] in determining priority, that is, which party first invented the commonly claimed invention." Manual of Patent Examining Procedure § 2301 (9th ed. Rev. 7, Oct. 2015). Once an interference terminates, "[j]urisdiction over an application returns to the examiner," *ex parte* examination resumes subject to the conclusions of the interference, and an applicant is, once again, able to add and amend claims freely in order to obtain a patentable claim. *Id.* § 2308.

of the examination process is to work with applicants and patentees "to fashion claims that are precise, clear, correct, and unambiguous." *In re Zletz*, 893 F.2d 319, 321-22 (Fed. Cir. 1989). The "broadest reasonable interpretation" rule "'serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified,'" because the examiner will have already considered the claims under a standard that is more difficult for the patentee to overcome with respect to validity. *In re Bigio*, 381 F.3d 1320, 1324 (Fed. Cir. 2004) (citation omitted).

Moreover, whereas patentees cannot request claim amendments in district court adjudication, patent claims have always been "readily amended as part of the examination process" before the PTO in order to circumvent prior art, recite eligible subject matter, and ensure an adequate written description. *Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987). The "ability to amend ... claims to avoid cited prior art distinguishes [examination] proceedings before the PTO from [adjudicative] proceedings in federal district courts on issued patents," which are adversarial in nature. *In re Yamamoto*, 740 F.2d 1569, 1571-72 (Fed. Cir. 1984) (discussing patent reexamination procedures); *see also In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A 1969) (patent examination procedures); *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A 1981) (patent reissue procedures).

B. Congress Created The New PTAB Proceedings As An Alternative To District Court Adjudication, Not An Extension Of The Examination Process

In the 2011 AIA, Congress created a new body (the PTAB, within the PTO) and tasked it with new procedures for reviewing the validity of issued patents: *inter partes* review ("IPR") and post-grant review ("PGR") (collectively, "post-grant proceedings"). Unlike the PTO's historic patent *examination* procedures, the agency itself acknowledges that the PTAB's post-grant proceedings are "a trial, adjudicatory in nature [that] constitutes litigation"—they are "neither a patent examination nor a patent reexamination." *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper 50 at 4 (P.T.A.B. Feb. 13, 2014); *see also* 37 C.F.R. § 42.100(a) ("An *inter partes* review ... is a trial ...."). The Federal Circuit also recognizes that "IPR may be said to be adjudicatory rather than an examination." Pet. App. 17a. With good reason. The text, structure, and purpose of the AIA demonstrate that these new post-grant proceedings are intended to be an alternative to district court litigation rather than an extension of the examination process.

1. The statutory text and structure establish that the PTAB's post-grant proceedings are an adjudicative substitute to district court litigation, not an additional type of examination.

First, unlike patent examination procedures, which are generally conducted *ex parte* by *patent examiners*, IPR and PGR proceedings are conducted *inter partes* before a panel of *administrative patent judges* sitting on the PTAB. 35 U.S.C. § 6(a), (b)(4). A party, usually

an accused infringer, asks the PTAB to review the validity of a patent by filing a petition for IPR or PGR. *Id.* §§ 311, 321. The patent owner then has an opportunity to respond. *Id.* §§ 313, 323. If the PTAB grants a petition and institutes a review, a three-judge panel presides over a trial-like process involving a limited period of discovery (including depositions and expert discovery), a round of briefing, motion practice, and a trial, before it issues a final written decision. *See Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) (citing H.R. Rep. No. 112-98, pt. 1, at 46-47 (2011)); *see also* 35 U.S.C. § 6(a).

Second, unlike in patent examination (and reexamination), during the PTAB's post-grant proceedings claims cannot be "readily amended" as of right. *Burlington Indus.*, 822 F.2d at 1583. Instead, patentees are allowed "1 motion to amend the patent" by either "[c]ancel[ling] any challenged patent claim" or by "propos[ing] a reasonable number of substitute claims." 35 U.S.C. §§ 316(d)(1), 326(d)(1). And the standards for granting these motions to amend are extremely high. Under current practice at the PTAB, the patent owner has the burden "to show a patentable distinction of each proposed substitute claim over the prior art," and "persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner." *Idle Free Sys., Inc. v. Bergstrom, Inc.*, No. IPR2012-00027 (JL), Paper 26 at 7, 2013 WL 5947697, at *4 (P.T.A.B. June 11, 2013); *see also MasterImage 3D, Inc. v. RealD Inc.*, IPR2015-00040, Paper 42 at 2-3 (P.T.A.B. July 15, 2015) (clarifying scope of "prior art of record" and "prior art known to the patent owner"). Additional motions are only

permitted to facilitate settlement or on a showing of good cause by the patent owner. 35 U.S.C. §§ 316(d)(2), 326(d)(2).

In practice, amendments requested during the PTAB's post-grant proceedings are rarely granted. According to one study, through April 6, 2015, patent owners filed motions to amend in 23 percent of the 317 IPR petitions on which a final decision issued, and *just three* of these 73-odd motions were granted. Raymond Mandra & Corinne Atton, *Statistics Show IPRs Favor Patent Challenges*, Today's General Counsel, Aug./Sept. 2015, at 23-25. This is nothing like the collaborative examination process, where claims can be freely amended as of right in an iterative process with responsive feedback provided by the patent examiner to ensure that they satisfy the patentability requirements.

Third, the AIA includes certain estoppel provisions that further demonstrate Congress's intent for the PTAB proceedings to be an alternative to district court adjudication. For example, an accused infringer is barred from filing a petition to initiate post-grant proceedings in the PTAB if it has already filed a declaratory judgment action for invalidity in district court, and the district court is required to stay any declaratory judgment action filed after a petition to initiate post-grant proceedings is filed. 35 U.S.C. §§ 315(a)(1)-(2), 325(a)(1)-(2). Also, if an accused infringer fails to raise a ground of patentability in its petition that could have been raised, it is estopped from relying on that ground in any subsequent district court proceeding. *Id.* §§ 315(e)(2), 325(e)(2). The reason Congress sought to eliminate duplication is that, when addressing disputes over patent validity, Congress

intended that the PTAB and the courts would be performing the same function.

2. The legislative history confirms that Congress intended the PTAB's procedures to substitute for district court validity litigation. The House Report on the AIA emphasizes that the PTAB's post-grant proceedings were intended to "provid[e] quick and cost effective alternatives to litigation" and would take place "in a court-like proceeding." H.R. Rep. No. 112-98, pt. 1, at 48, 68. The primary Senate sponsor of the litigation similarly explained that the purpose of the new proceedings is to "decrease[] the likelihood of expensive litigation" by "creat[ing] a less costly, in-house administrative alternative to review patent validity claims." 157 Cong. Rec. S1111 (daily ed. Mar. 2, 2011) (statement of Sen. Leahy, Exhibit 1).

In addition, prior to the AIA, the PTO administered an "inter partes reexamination" proceeding that was similar to the traditional "ex parte" reexamination before a patent examiner. According to the House Report, the intent of the AIA was to "convert[]" this reexamination proceeding "to an *adjudicative* proceeding." H.R. Rep. No. 112-98, pt. 1, at 46 (emphasis added).

Thus, the text, structure, and legislative history of the AIA demonstrate that Congress established the PTAB as a "far-reaching surrogate" for "adjudication of patent validity comparable to that of the district courts, where validity is determined on the legally correct claim construction." Pet. App. 32a, 31a (Newman, J., dissenting).

C. Congress Did Not Empower The PTO To Depart From The Traditional Standard For Adjudicating Patent Validity

In concluding that the "broadest reasonable interpretation" standard should apply to the PTAB's post-grant proceedings, the Federal Circuit found "no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years." Pet. App. 15a. That rationale fails to appreciate Congress's intent to have the PTO (through the PTAB) take on an entirely different adjudicative function. Because Congress created the PTAB and its post-grant proceedings as an alternative *adjudicative* forum, the question the Federal Circuit should have addressed (but did not) is whether "the AIA was designed to change the claim construction standard that [the *courts*] ha[ve] applied for more than 100 years." And the answer is no. There is no indication that the AIA was designed to undermine over a century of settled law.

The Federal Circuit, relying on an ambiguous statement from a single Senator, determined that Congress "was well aware that the broadest reasonable interpretation standard was the prevailing rule" at the PTO. *Id.* (discussing 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl)). It then applied the principle that "Congress is presumed to legislate against the background of existing law." *Id.* Although it stated the correct legal principle, the Federal Circuit erred in concluding that Congress intended for the traditional standard for *examination* rather than the traditional standard for *adjudication* to govern the new process for adjudicating issued patents established by the AIA.

Contrary to the Federal Circuit majority's analysis, to the extent Congress was aware of the standard historically guiding examination, it undoubtedly was equally well-aware that in adjudicative proceedings, for over a century, the validity of issued patents has been determined under a different standard—based on the actual meaning ascribed to the claims by one of skill in the art. *See supra* at 7-8. And, as discussed, the text, structure, and legislative history of the AIA all confirm that Congress created the PTAB's post-grant proceedings to provide a new adjudicative forum for parties accused of patent infringement. Contrary to the Federal Circuit majority's view, therefore, it is far more likely that Congress intended the new adjudicative proceedings to adhere to the actual-meaning standard that has long and consistently applied to patent adjudications. It is unreasonable to presume that, in creating an alternative forum for adjudicating the validity of issued patents, Congress *sub silentio* empowered the PTO to alter the standard for determining patent validity that has governed patent adjudications for over a century. *See Brown & Williamson Tobacco Corp.*, 529 U.S. at 133.[4]

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[4] In addition, a Congress aware of the PTO standards would have recognized that the PTO applies the "broadest reasonable interpretation" only in circumstances where claims can be freely amended. When "a reexamination involves claims of an expired patent," which can no longer be amended, the PTO has long applied the same narrower claim construction standard employed by the courts. *In re Rambus*, 753 F.3d at 1256; *see also* Manual of Patent Examining Procedure § 2258G.

II. THE PTO'S RULE FOSTERS INEFFICIENCY AND INSTABILITY BY INTRODUCING CONFLICTING STANDARDS FOR ADJUDICATING PATENT VALIDITY

The PTO's institution of an artificially broad construction standard for adjudicating patent validity in the PTAB has had immediate and profound destabilizing effects that Congress could not have intended. The PTAB's divergence from the traditional claim construction standard applicable in district court adjudication creates an unworkable system in which supposedly "alternative" forums reach contradictory conclusions about the validity of the same patent. Far from encouraging efficient and timely consideration of patents with serious validity issues, as Congress intended, *see supra* at 14, the "broadest reasonable interpretation" system "enhance[s]" duplicative litigation by accused infringers eager to secure a tactical advantage. Pet. App. 64a-65a (Newman, J., dissenting from denial of rehearing en banc). In several instances already, patent owners have obtained jury verdicts of validity and infringement in district court under the correct construction of their claims, only to be met with subsequent PTAB decisions finding the same claims invalid under the "broadest reasonable interpretation" standard.

1. For example, in 2013, InterDigital (one of the *amici*) brought suit in district court for infringement of certain cellular networking technology patents. *InterDigital Commc'ns Inc. v. ZTE Corp.*, No. 1:13-cv-00009-RGA (D. Del.). The district court construed InterDigital's asserted patent claims based on what they mean to a person of ordinary skill in the art. *Id.*,

ECF Nos. 260, 413. On October 28, 2014, a jury found that certain claims of U.S. Patent No. 8,380,244 ("'244 patent") were infringed and not invalid (*i.e.*, not anticipated or obvious in light of prior art). *Id.*, ECF No. 431 at 4, 7.

In parallel, the accused infringer filed an IPR petition in the PTAB challenging the '244 patent as invalid over the same prior art. *ZTE Corp. v. InterDigital Tech. Corp*, IPR2014-00525, Paper 1 (P.T.A.B. Mar. 21, 2014). The PTAB instituted review, *Id.*, Paper 19, 2014 WL 4715525 (P.T.A.B. Sept. 17, 2014), and, on September 14, 2015—nearly a year after the jury verdict for InterDigital—the PTAB found the '244 patent claims invalid on the very same grounds that the jury rejected. *Id.*, Paper 48 (P.T.A.B. Sept. 14, 2015). In doing so, the PTAB applied what it found to be the "broadest reasonable interpretation" of the claims—expressly acknowledging that it was applying a different and broader claim construction standard than the district court had applied. *Id.* at 10-13 & n.4.

2. The travails of another innovative company, Ultratec, made national headlines after the PTAB ruled invalid Ultratec patents that a district court jury had found valid and infringed to the tune of $44.1 million. Peter J. Pitts, *'Patent Death Squads' vs. Innovation*, Wall St. J., June 10, 2015, http://www.wsj.com/articles/patent-death-squads-vs-innovation-1433978591. In 2013, Ultratec, a small, privately held firm that manufactures captioned phones for the deaf and hard of hearing, sued a competitor for infringing several Ultratec patents. *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, No. 3:13-cv-00346-bbc (W.D. Wis.). On August 28, 2014, the district court construed various disputed terms and rejected

summary judgment on patent validity grounds, *id.*, 45 F. Supp. 3d 881 (W.D. Wis. 2014), and, on October 2014, the jury found the asserted patents valid, *id.* ECF No. 658, and infringed and awarded Ultratec $44.1 million, *id.*, ECF No. 682.

After being sued, the accused infringer filed several IPR petitions asserting that Ultratec's asserted patent claims were invalid. *See id.*, ECF No. 48 at 2. The PTAB instituted review, *see id.*, ECF No. 196 at 1 & n.1, and, on May 13, 2015, found invalid the same asserted claims that the jury had found valid and infringed, *id.*, ECF No. 876 at 1-2. In doing so, the PTAB applied what it purported was the "broadest reasonable interpretation" standard, as opposed to the district court's narrower construction of the critical claim terms. *Compare id.*, 45 F Supp. 3d at 895-902, 915-19, *with CaptionCall, L.L.C. v. Ultratec, Inc.*, IPR2013-00540, Paper 78 at 6-8, 26-27, 2015 WL 1263028, at *3-5, *15 (P.T.A.B. Mar. 3, 2015).

After the PTAB's decision, the district court stayed resolution of post-trial motions until the PTAB's ruling becomes final through appeal, *id.*, ECF No. 196 at 11, and the Federal Circuit rejected Ultratec's efforts to vacate the stay, *Ultratec, Inc. v. CaptionCall, LLC*, 611 F App'x 720, 722-23 (Fed. Cir. 2015). Barring rehearing by the PTAB (which Ultratec has requested), Ultratec must reverse on appeal the PTAB's invalidity ruling based on the PTAB's artificially broad claim construction in order to preserve the verdict of infringement and validity that the jury already rendered based on the claims' actual meaning.

3. In two IPR decisions last month, the PTAB found invalid two hybrid vehicle technology patents

that a jury found valid and infringed just days later. *See* Kurt Orzeck, *Paice Wins $29M In Hybrid Tech Spat With Hyundai, Kia*, Law360 (Oct. 5, 2015), http://www.law360.com/articles/711064/paice-wins-29m-in-hybrid-tech-spat-with-hyundai-kia. And at least twice in recent months, the Federal Circuit affirmed denials of stays arising from rulings by the PTAB finding patents invalid after jury trials had found the same patents valid and infringed. *Smartflash LLC v. Apple Inc.*, — F App'x —, 2015 WL 4603820, at *10 (Fed. Cir. July 30, 2015); *Versata Software Inc. v. SAP AG*, 564 F. App'x 600, 601-01 (Fed. Cir. 2014). These cases are the tip of the iceberg. As the volume of PTAB cases increases, such contradictory rulings, driven by the conflicting claim construction standards, will be a mainstay of the patent system.

There is no sound reason (certainly none rooted in the text or history of the AIA) to presume that, while district courts continue assessing patent validity based on what the patent claims *actually* mean, Congress empowered the PTAB to invalidate claims based on what the claims *might* mean, creating a two-track system with conflicting standards and destabilizing uncertainty. Congress is not presumed to intend or condone such anomalous results. *See Brown & Williamson Tobacco Corp.*, 529 U.S. at 133.

III. THE PTO'S RULE UNDERMINES PATENTEES' LEGITIMATE PROPERTY RIGHTS

The PTO's "broadest reasonable interpretation" standard for PTAB post-grant proceedings also diminishes the substantive rights of inventors in ways that Congress never intended.

First, the PTO's rule weakens Congress's statutory guarantee that "[a] patent shall be presumed valid." 35 U.S.C. § 282(a). In a district court action, an accused infringer can overcome the statutory presumption of validity only by proving that the claims, as *correctly* construed, are invalid over prior art "by clear and convincing evidence." *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011). In contrast, in the PTAB, because claims are given their "broadest reasonable interpretation" (instead of their *actual* meaning), they are far more likely to be found invalid (anticipated or obvious) in light of prior art. *See* 35 U.S.C. §§ 102, 103. By refusing to accord patentees with an accurate characterization of the metes and bounds of their claims when deciding their validity, and instead saddling them with artificially broad claim constructions that are much more likely to read on prior art, the PTAB's rule undercuts Congress's statutory guarantees and diminish patentees' substantive property rights. *See* Pet. App. 56a (Prost, C.J., dissenting from denial of rehearing en banc) (PTO's rule "violate[s] the bargain the patentee struck with the public").

Second, the PTO's rule gives accused infringers two bites at the apple to avoid liability in two different forums under two different standards, violating the well-established principle that "claims must be interpreted and given the same meaning for purposes of both validity and infringement analyses." *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988); *see also Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1351 (Fed. Cir. 2001) ("A patent may not, like a 'nose of wax,' be twisted one way [for purposes of

validity] and another [for infringement]." (citation omitted)). In district court litigation, an accused infringer benefits from the court's narrower (correct) construction, under which it is easier to show non-infringement. Then, in a parallel PTAB challenge to the patent's validity, the accused infringer benefits from the PTAB's broader (hypothetical) construction, under which it is easier to show invalidity. The accused infringer gets the best of both worlds and the patentee gets the best of neither. There is no evidence that Congress intended to undermine that bedrock law or to put patentees at such an acute and patently unfair disadvantage.

The practical impact on patentees' property is sufficiently serious that Tessera (one of the *amici*) was willing to abandon the remaining term in one of its most valuable patents directed to assemblies for manufacturing semiconductor chips to avoid the application of the broadest reasonable interpretation standard in proceedings before the PTAB. Tessera brought arbitration claims alleging that its former licensee Amkor failed to pay royalties for its use of Tessera patents, as required by a patent licensing agreement. *See Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 98 at 3 (P.T.A.B. Jan. 31, 2014). The arbitrators, among other things, found that Amkor owed Tessera royalties for using Tessera's U.S. Patent No. 6,046,076 ("'076 patent"), and rejected Amkor's validity challenge to the '076 patent. *Id.* at 4; *id.*, Paper 37 at 14 (P.T.A.B. Oct. 11, 2013). The arbitrators awarded Tessera $128 million, and a California appeals court affirmed the award in November 2014. *Amkor Tech., Inc. v. Tessera, Inc.*, No. A139596, 2014 WL 6677363 (Cal. Ct. App. Nov. 25, 2014); Michael Lipkin,

Tessera's $128M IP Arbitration Award Upheld By Calif. Court, Law360 (Nov. 25, 2014), http://www.law360.com/articles/599608.

While the arbitration proceedings were pending, however, Amkor filed an IPR petition against the '076 patent in an effort to undermine the arbitration award. The PTAB agreed to initiate review. Although Tessera's '076 patent had been upheld in arbitration and had not yet expired, Tessera chose to voluntarily relinquish the entire remaining term of its patent and allow it to expire early by filing a terminal disclaimer, in an attempt to avoid the PTAB's use of the "broadest reasonable interpretation" standard. *Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 129 at 2 (P.T.A.B. May 22, 2014); Ryan Davis, *Tessera Says Terminal Patent Disclaimer Dooms AIA Review*, Law360 (Apr. 22, 2014), http://www.law360.com/articles/530525. As noted above, there is no question that at least in a reexamination context, the PTO must use the narrower district court claim construction standard when a patent is expired, *see* note 4 *supra*, so Tessera sought evaluation of the validity of the '076 patent under that narrower court standard by electing to expire the patent early.

Tessera's willingness to make the difficult decision to forego the remaining term on one of its most valuable patents—and thus forego royalties it otherwise could have received from others for use of that patent during that remaining term—to avoid the "broadest reasonable interpretation" standard highlights the extent to which the PTO's application of that standard compromises the rights of patent holders.

CONCLUSION

The petition for certiorari should be granted as to the first Question Presented.

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IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR MEDTRONIC, INC. AS AMICUS CURIAE IN SUPPORT OF NEITHER PARTY REGARDING APPELLATE JURISDICTION

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

INTEREST OF AMICUS CURIAE 1

INTRODUCTION AND SUMMARY OF ARGUMENT 4

ARGUMENT 6

THIS COURT SHOULD NOT SUGGEST THAT THE FEDERAL CIRCUIT LACKS JURISDICTION TO REVIEW POST-INSTITUTION TERMINATIONS OF IPR PROCEEDINGS 6

A. Medtronic's Case Provides A Cautionary Example Of The Danger Of Insulating Post-Institution PTAB Rulings From Judicial Review 7

B. A Suggestion That The AIA Bars Judicial Review Of Any PTAB Ruling Other Than A Decision On Patentability Would Conflict With This Court's Precedent And Raise Substantial Policy Concerns 12

1. The AIA's text and the presumption of reviewability permit, and indeed compel, judicial review of final post-institution decisions 12

TABLE OF CONTENTS—Continued

Page

2. The Court should avoid inadvertently depriving litigants of all opportunity to obtain judicial review of an arbitrary and capricious PTAB termination of instituted proceedings, in which the PTO has already deemed a patent claim to be likely invalid 16

C. The Government's Jurisdictional Arguments Do Not Apply To Post-Institution Rulings 18

CONCLUSION 20

APPENDIX

Decision on Patent Owner's Motion to Terminate of the Patent Trial and Appeal Board in *Medtronic, Inc.* v. *Robert Bosch Healthcare Systems, Inc.*, Nos. IPR2014-00488 & IPR2014-00607, dated March 16, 2015 ..... 1a

Order of the United States Court of Appeals for the Federal Circuit in *Medtronic, Inc.* v. *Robert Bosch Healthcare Systems, Inc.*, Nos. 15-1977, -1986, -1987, dated November 17, 2015 ..... 22a

Memorandum Opinion and Order of the United States District Court for the Eastern District of Virginia in *Medtronic, Inc.* v. *Lee*, No. 15-946, dated January 21, 2016 ..... 27a

TABLE OF AUTHORITIES

CASES

Page(s)

ACLU v. *Clapper*, 785 F.3d 787 (2d Cir. 2015) 16

Atlanta Gas Light Co. v. *Bennett Regulator Guards, Inc.*, IPR 2013-00453 (PTAB Jan. 6, 2015) (Paper 88) 5

Bowen v. *Michigan Academy of Family Physicians*, 476 U.S. 667 (1986) 14, 15, 16, 19

Carlyle Towers Condominium Ass'n v. *FDIC*, 170 F.3d 301 (2d Cir. 1999) 17

Corning Optical Communications RF, LLC v. *PPC Broadband*, IPR2014-00440 (PTAB Aug. 18, 2015) (Paper 68) 5

Edelman v. *Lynchburg College*, 535 U.S. 106 (2002) 11, 17

GTNX, Inc. v. *INTTRA, Inc.*, 789 F.3d 1309 (Fed. Cir. 2015) 16

Kucana v. *Holder*, 558 U.S. 233 (2010) 17

Lindahl v. *OPM*, 470 U.S. 768 (1985) 16

Mach Mining, LLC v. *EEOC*, 135 S. Ct. 1645 (2015) 14

Medtronic, Inc. v. *Lee*, — F Supp. 3d —, 2016 WL 269240 (E.D. Va. Jan. 21, 2016) 2

NCAA v. *Smith*, 525 U.S. 459 (1999) 6

Paramount Home Entertainment Inc. v. *Nissim Corp.*, IPR2014-00961 (PTAB Mar. 19, 2015) (Paper 13) 8

Roberts v. *Galen of Virginia, Inc.*, 525 U.S. 249 (1999) 7

TABLE OF AUTHORITIES—Continued

Page(s)

Sackett v. *EPA*, 132 S. Ct. 1367 (2012) 14, 15

Zivotofsky v. *Clinton*, 132 S. Ct. 1421 (2012) 6

DOCKETED CASES

Medtronic, Inc. v. *Robert Bosch Healthcare Systems, Inc.*, Nos. 2015-1977, -1986, -1987 (Fed. Cir.) 2

Robert Bosch Healthcare Systems, Inc. v. *Cardiocom, LLC*, No. 2013-cv-00349-JRG, (E.D. Tex.) 8

STATUTES, RULES, AND REGULATIONS

28 U.S.C. § 1295 ..... 13, 14

35 U.S.C.
§ 141 ..... 15, 19
§ 314 ..... 5, 9, 10, 13, 15, 18, 19
§ 315 ..... 9, 11
§ 316 ..... 10, 13, 18, 19
§ 318 ..... 15, 19
§ 319 ..... 15, 19

Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) 1, 7

37 C.F.R.
§ 42.4 9
§ 42.108 9

77 Fed. Reg. 48,756 (Aug. 14, 2012) 8, 12

80 Fed. Reg. 50,720 (Aug. 20, 2015) 8

Fed. R. Civ. P 17 ..... 12, 17

TABLE OF AUTHORITIES—Continued

Page(s)

OTHER AUTHORITIES

H.R. Rep. No. 112-98, pt. 1 (2011) 19

S. Rep. No. 79-752 (1945) 14

Perez, Eugene & Kel Rose, *Hard Target: Who's In Charge In Post-Grant Proceedings?*, World Intell. Prop. Rev. 48 (Sept.-Oct. 2012) 8

6A Wright, Charles Alan, et al., *Federal Practice & Procedure* (3d ed. updated Apr. 2015) 17

INTEREST OF AMICUS CURIAE[1]

Medtronic is the world's largest medical technology company. With over 85,000 employees, it has transformed healthcare worldwide, improving outcomes, expanding access, and enhancing value. A leading innovator in the field of healthcare, Medtronic relies on its over 53,000 patents to protect its intellectual property. As both an owner of intellectual property and a target of infringement lawsuits, Medtronic has a strong interest in, and a balanced perspective on, issues that affect patent protection.

Medtronic takes no position on the claim construction standard in this case, or on whether the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) ("AIA"), bars direct appellate review of the decision to institute *inter partes* review ("IPR") in cases that, like this one, proceed to a final written decision on the merits of patentability. *See* Pet. 6-13; Pet. Br. 6-12.

Instead, Medtronic submits this amicus brief to urge that when ruling on the jurisdictional issue presented in this case, this Court should not suggest—or use broad language that might be read to suggest—that the Federal Circuit lacks jurisdiction to review final *post-institution* decisions that terminate IPRs without addressing the patentability of the involved claims. The Federal Circuit has not definitively resolved that issue, which Medtronic is in the process of litigating in two parallel cases, one under the AIA and one under the

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[1] No counsel for a party authored this brief in whole or in part, and no person, other than amicus or its counsel, made any monetary contribution to the preparation or submission of this brief. Letters consenting to the filing of this brief have been filed with the Clerk of the Court.

Administrative Procedure Act ("APA"). This Court should ensure that it does not inadvertently suggest that appellate review is unavailable in those cases, which present different considerations from this case.

Medtronic has invoked the Federal Circuit's appellate jurisdiction over an agency decision that does not fit into the AIA's bar on appellate review, namely a *post-institution* decision terminating already instituted IPR proceedings. In 2015, the Patent Trial and Appeal Board ("PTAB") terminated—based on an arbitrary and capricious ruling—proceedings regarding two patents on which Medtronic had petitioned for IPR. *See* App. 1a-22a. Medtronic appealed the PTAB's decision directly to the Federal Circuit pursuant to the AIA and, alternatively, sought a writ of mandamus. *See Medtronic, Inc.* v. *Robert Bosch Healthcare Sys., Inc.*, Nos. 2015-1977, -1986, -1987 (Fed. Cir.) (*Medtronic I*). Out of an abundance of caution, Medtronic also sought APA review of the PTAB's ruling in the United States District Court for the Eastern District of Virginia. *See Medtronic, Inc.* v. *Lee*, — F Supp. 3d —, 2016 WL 269240 (E.D. Va. Jan. 21, 2016) (*Medtronic II*).

Neither of Medtronic's appeals has so far been heard on the merits. In *Medtronic I*, the Federal Circuit panel granted the patent holder's motion to dismiss Medtronic's appeal for lack of jurisdiction, relying in part on the decision on review in this case, and denied mandamus. *See* App. 22a-26a. Medtronic's petition for rehearing en banc is pending. And in *Medtronic II*, the district court granted the government's motion to dismiss Medtronic's APA complaint for lack of jurisdiction. *See id.* 27a-58a. Medtronic has appealed that decision to the Federal Circuit as well, and has sought initial hearing en banc.

The jurisdictional issues presented in *Medtronic I* and *Medtronic II* are, in some ways, related to the jurisdictional issue presented in this case. But even if this Court were to affirm the jurisdictional holding in this case, Medtronic believes that the text and structure of the AIA and other considerations would compel a different result in Medtronic's appeals. Medtronic thus files this brief to explain that not all IPR jurisdictional appeals are the same and to urge the Court that, however it may rule on Cuozzo's jurisdictional argument in this case, it should not suggest that the Federal Circuit lacks jurisdiction to review PTAB decisions like those challenged in Medtronic's appeals. Such an outcome would contradict the AIA and improperly allow the PTAB to insulate arbitrary and capricious post-institution rulings from appellate review simply by captioning them as terminations for reasons other than patentability.

INTRODUCTION AND SUMMARY OF ARGUMENT

In this case, the Court will decide if the "decision *whether to institute* an IPR proceeding is judicially reviewable" when the Federal Circuit reviews a final written decision regarding the patentability of the claims. Pet. II (second question presented) (emphasis added). Both Cuozzo and the government have indicated, however, that this Court's answer to that question will decide once and for all the "scope of the Federal Circuit's jurisdiction" over all final PTAB rulings, Pet. 23; *see also* Opp. 18, 20-21. That belief is incorrect.

An important category of decisions in IPR proceedings presents an even stronger case for appellate review than the decision on appeal here, namely final PTAB rulings that terminate *already instituted* IPR proceedings before a decision on the merits of patentability has been reached. The Federal Circuit's decision in this case had no occasion to address this category of decisions or the critical distinction between a decision to institute proceedings and a post-institution termination ruling that does not address patentability. *See* Pet. App. 5a-11a. Because Cuozzo challenged only the propriety of the institution decision, the procedural posture led the Federal Circuit to describe just two possible decisional stages in an IPR proceeding: (1) the pre-institution stage, which ends with a decision whether to institute proceedings, and (2) the post-institution stage, which ends with a final written decision on the merits. *Id.* 5a. The government makes the same fundamental error, purporting to divide IPR decisions into two and only two categories. Opp. 6, 20-21; *see also* Pet. Br. 5-6, 49. But neither the Federal Circuit in this case nor the parties to this case discussed a third category that has since arisen: PTAB decisions terminating instituted

IPR proceedings without reaching the merits of the challenged patent claims. *See infra* pp. 7-12; *see also, e.g.*, *Corning Optical Commc'ns RF, LLC* v. *PPC Broadband*, IPR2014-00440, slip op. 25-26 (PTAB Aug. 18, 2015) (Paper 68); *Atlanta Gas Light Co.* v. *Bennett Regulator Guards, Inc.*, IPR2013-00453, slip op. 13-15, 17 (PTAB Jan. 6, 2015) (Paper 88).

Medtronic believes that federal courts have jurisdiction to review this third category of decisions, either under the AIA or the APA, and the Federal Circuit is still considering the matter. *See supra* pp. 2-3. There are good reasons to conclude that appellate jurisdiction lies in such cases, regardless of the outcome in this case. No AIA provision expressly or implicitly bars review of a decision terminating an IPR after institution. *See infra* pp. 12-16. Accordingly, the well-established presumption of judicial review of final agency action applies to such decisions. That is fully consistent with the text and goals of the AIA. The Act envisions that—if the Patent and Trademark Office (PTO) institutes proceedings after finding a "reasonable likelihood" that at least one of the challenged patent claims is invalid and never should have issued, 35 U.S.C. § 314(a)—the PTAB should finish the job and issue a final decision on patentability or, at a minimum, face judicial scrutiny of its reasons for terminating the proceeding over a party's objection. Otherwise, the PTAB would have the ability—nowhere conferred by statute—to terminate petitions that the agency previously determined had a "reasonable likelihood" of invalidating challenged patent claims, and do so without consequence and under any pretense (so long as it does not relate to patentability). *See infra* pp. 16-17. The facts of *Medtronic I* and *II* demonstrate how such a jurisdic-

tional rule could insulate an arbitrary and capricious agency decision from Article III oversight.

Tellingly, the government's arguments against appellate jurisdiction in this case either do not apply to *post-institution* rulings or ignore obvious distinctions between such rulings and decisions to institute. The government's failure in this case to grapple with the additional reasons supporting judicial review of post-institution rulings only underscores the need for caution in this Court's decision on the issue and the importance of not suggesting that a lack of appellate jurisdiction in this case means a lack of jurisdiction over appeals such as Medtronic's.

Accordingly, Medtronic respectfully requests that this Court ensure that its ruling does not suggest that the Federal Circuit lacks authority to review *post-institution* PTAB determinations.

ARGUMENT

THIS COURT SHOULD NOT SUGGEST THAT THE FEDERAL CIRCUIT LACKS JURISDICTION TO REVIEW POST-INSTITUTION TERMINATIONS OF IPR PROCEEDINGS.

Medtronic's experience before the PTAB demonstrates the correctness and necessity of allowing appellate jurisdiction over post-institution decisions terminating IPR proceedings. That specific issue is not before the Court in this case, but the parties' submissions—particularly the government's—could be read to suggest that this Court's ruling in this case should foreclose jurisdiction over post-institution decisions. It is well-established that this Court generally "do[es] not decide in the first instance issues not decided below." *Zivotofsky* v. *Clinton*, 132 S. Ct. 1421, 1430 (2012); *accord NCAA* v. *Smith*, 525 U.S. 459, 470 (1999); *see also*,

e.g., *Roberts* v. *Galen of Va., Inc.*, 525 U.S. 249, 254 (1999) (declining to address two issues on which this Court did not grant certiorari). This general rule has particular force in this case, where language suggesting a lack of appellate jurisdiction in scenarios not presented here would be inconsistent with this Court's case law and public policy, and would lead to a result that even the government has not clearly confronted.

In Medtronic's case, the PTAB terminated—in a single decision—two IPR proceedings that the PTO had instituted based on Medtronic's petitions, and did so just one month before oral argument. The sole reason for the PTAB's ruling was that Medtronic failed to foresee how the PTAB would interpret a minor procedural rule on which the agency has provided no published or binding guidance—designation of who is a real party in interest ("RPI"). The PTAB's termination decision thus allowed patents that the PTO itself has declared of questionable validity to remain in force without substantive review, based solely on an arbitrary and capricious agency ruling. Such a decision is subject to appellate review, and this Court's decision in this case should be careful not to suggest otherwise.

A. Medtronic's Case Provides A Cautionary Example Of The Danger Of Insulating Post-Institution PTAB Rulings From Judicial Review.

Section 312(a)(2) of the AIA requires that a petition for IPR "identif[y] all real parties in interest." But neither § 312 nor any other AIA provision defines "real part[y] in interest" and the term is not discussed in the AIA's legislative history. The agency offers its only guidance in a brief passage in the "Office Patent Trial Practice Guide," which addresses the RPI requirement

over the course of two pages without laying out any clear rule. 77 Fed. Reg. 48,756, 48,759-48,760 (Aug. 14, 2012). The Guide states "that there is no 'bright-line test' for determining the necessary quantity or degree of participation to qualify as a 'real-party-in-interest.'" *Id.*; *see also, e.g.*, *Paramount Home Entm't Inc.* v. *Nissim Corp.*, IPR2014-00961, slip op. 4 (PTAB Mar. 19, 2015) (Paper 13) (recognizing that even "slight alterations in the facts from case-to-case ... might result in a different conclusion" as to whether an entity is an RPI (internal quotation marks omitted)).[2]

Three years ago, a healthcare company named Cardiocom was sued for patent infringement by its rival Robert Bosch Healthcare Systems. *See* Complaint, Dkt. 1, *Robert Bosch Healthcare Sys., Inc.* v. *Cardiocom, LLC*, No. 13-cv-00349-JRG (E.D. Tex. Apr. 26, 2013). Shortly thereafter, Cardiocom filed IPR petitions challenging six of Bosch's patents, including U.S. Patent No. 7,769,605 ("[a] system and method for monitoring a group of patients") and 7,890,249 ("a system for remotely interacting with" a patient). *Medtronic I* Appellant's Br. 9.

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[2] The PTO has repeatedly declined to promulgate a regulation defining what constitutes an RPI, despite numerous requests to do so. Perez & Rose, *Hard Target: Who's In Charge In Post-Grant Proceedings?*, World Intell. Prop. Rev. 48-49, Sept.-Oct. 2012 (noting that the PTO rejected a request from Verizon, Google, and others that it adopt a concrete definition of RPI; "at this point, the USPTO has not defined the meaning of RPI and privy, there is no bright-line rule for doing so, and it will instead make such determinations on a case-by-case basis"); *see also* 80 Fed. Reg. 50,720, 50,729 (Aug. 20, 2015) (reaffirming, in spite of request to clarify RPI test, that "whether an entity is a real-party-in-interest is a highly fact dependent question that is not amenable to any bright-line test").

A month after Cardiocom filed its IPR petitions, it was purchased by, and became a wholly owned subsidiary of, Medtronic. *Medtronic I* Appellant's Br. 9. Although the PTO instituted review of—and later invalidated—the claims at issue in four of Bosch's six patents (each of which is a family member of the '605 and '249 patent), the PTO denied institution of Cardiocom's petitions directed to the '605 and '249 patents. *Id.* 10. That denial had no estoppel effect; Cardiocom and anyone in privity with it still had the right to file another petition challenging the '605 and '249 patents within one year of Bosch's lawsuit. *See* 35 U.S.C. § 315(e)(1).

Medtronic, which had its own substantial interest in seeking IPR of the '605 and '249 patents,[3] filed three of its own IPR petitions less than one year after Bosch sued Cardiocom. *Medtronic I* Appellant's Br. 11. Medtronic's petitions identified itself as the RPI, and expressly disclosed that Cardiocom previously sought IPR of the '605 and '249 patents, as well as that Medtronic had "acquired Cardiocom after Cardiocom filed" its petitions and "Cardiocom is now a wholly-owned subsidiary of Medtronic." *Id.* (internal quotation marks omitted). Medtronic acknowledged in the IPR proceedings that Cardiocom was in privity with Medtronic and, accordingly, that Cardiocom would be bound by the PTAB's final written decision. *Id.* 12.

The Director of the PTO, who has the statutory authority to institute IPR, has delegated that power to the PTAB. *See* 35 U.S.C. § 314(a); 37 C.F.R. §§ 42.4, 42.108. Exercising that power, the PTAB instituted

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[3] In addition to asserting the patents in litigation against Medtronic's subsidiary Cardiocom, Bosch had also accused Medtronic's non-Cardiocom-related product lines of infringing those patents. *Medtronic I* Appellant's Br. 11-12.

IPRs within three months of Bosch's preliminary responses to Medtronic's petition, notwithstanding Bosch's argument that Cardiocom should have been listed as an RPI. *Medtronic I* Appellant's Br. 6; *see also* 35 U.S.C. § 314(b). The Director (through her delegate, the PTAB) thus necessarily concluded that Medtronic had shown a "reasonable likelihood that [Medtronic] would prevail" in invalidating at least one of Bosch's patent claims. 35 U.S.C. § 314(a). Accordingly, a notice issued pursuant to 35 U.S.C. § 314(c), commencing an IPR trial. The PTAB then proceeded to conduct the IPR trial under the authority delegated in 35 U.S.C. § 316(c).

Several months later, after all briefing and depositions were concluded—and only one month before oral argument—the PTAB terminated Medtronic's IPRs in a ruling captioned "Decision [on] Patent Owner's Motion to Terminate." App. 1a. The PTAB's termination decision rested solely on its conclusion that Medtronic should have listed Cardiocom as an additional RPI in its petitions. *Id.* 21a. The PTAB applied what it called a "totality of the circumstances" test under which "one fact, standing alone, [will rarely] be determinative of the real party-in-interest inquiry. *Id.* 8a, 16a (internal quotation marks omitted). Noting that "[t]aken alone, none of the facts [relied upon] may be sufficient to show that Cardiocom is a real party-in-interest in these proceedings," the PTAB found that Medtronic was (somehow) acting as a "proxy" for its wholly-owned subsidiary. *Id.* 16a (internal quotation marks omitted).

Notably, the PTAB did not find that Medtronic acted in bad faith when it named itself as RPI without also adding its wholly-owned subsidiary Cardiocom, nor did it find that Bosch had suffered any prejudice. However, the PTAB still denied Medtronic leave to amend its pe-

titions to remedy the purported RPI error *nunc pro tunc*. App. 18a-20a. The PTAB also denied Medtronic's timely request for rehearing on May 22, 2015. *Medtronic I* Appellant's Br. 15. Because the PTAB's termination ruling was issued more than one year after Bosch sued Cardiocom, Medtronic—as Cardiocom's privy—is now statutorily barred from filing new IPR petitions against the '605 and '249 patents. 35 U.S.C. § 315(b).

Medtronic appealed the PTAB's termination decision to the Federal Circuit under the AIA, and separately sought review of it in district court under the APA. As Medtronic explained in both proceedings, the PTAB's decision is arbitrary and capricious and contrary to law for several reasons. *First*, the PTAB's interpretation of the RPI requirement is impermissibly nebulous, as it gives petitioners no principled way to determine whether a given entity should be labeled as an RPI. *Second*, the PTAB could not reasonably have concluded that Cardiocom qualified as an RPI or that Medtronic was acting as a "proxy" for Cardiocom, given that Medtronic wholly owns Cardiocom. *Third*, even if the PTAB were right that Cardiocom should have been listed as an RPI, it erred by denying Medtronic the opportunity to amend its petitions to correct that technical error. Where, as here, there was no finding that the omission was made in bad faith or that permitting amendment would cause undue prejudice or change the substance of the proceeding, the common practice in the federal system is to permit a relation-back amendment. *See Edelman* v. *Lynchburg Coll.*, 535 U.S. 106, 116 (2002) ("[I]f relation back is a good rule for courts of law, it would be passing strange to call it bad for an administrative agency."). The PTAB certainly cited no statute, regulation, or other binding authority requiring it to terminate Medtronic's petitions over what was, even

under the Board's erroneous analysis, a harmless and minor technicality.[4] *Finally*, and at a minimum, the PTAB's failure to give clear notice that an RPI error could result in termination of the IPR violated due process and its failure to provide a plausible explanation for its arbitrary decision was an abuse of discretion.

So far, no federal court has addressed Medtronic's substantive challenges to the PTAB's termination order. A panel of the Federal Circuit in *Medtronic I* ruled that it lacked jurisdiction under the AIA and refused to issue a writ of mandamus (App. 24a-26a)—Medtronic's petition for en banc rehearing of that decision is pending. And the district court in *Medtronic II* also held that it lacked jurisdiction to hear an APA challenge (App. 58a); Medtronic's appeal and petition for initial hearing en banc are also pending in the Federal Circuit.

B. A Suggestion That The AIA Bars Judicial Review Of Any PTAB Ruling Other Than A Decision On Patentability Would Conflict With This Court's Precedent And Raise Substantial Policy Concerns.

1. The AIA's text and the presumption of reviewability permit, and indeed compel, judicial review of final post-institution decisions.

The text of the AIA strongly indicates that a final post-institution decision to terminate an IPR is judicial-

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[4] To the contrary, the Office Patent Trial Practice Guide cites Federal Rule of Civil Procedure 17 and its 1966 Comments for general guidance. 77 Fed. Reg. at 48,759. Rule 17 provides that the court "may not dismiss an action" for failure to prosecute in the name of the RPI until a "reasonable time" is allowed to correct the RPI.

ly reviewable, regardless of whether the same is true of the initial decision to institute proceedings that is the subject of the second question presented in this case. Permitting appellate review of PTAB decisions like the one at issue in *Medtronic I* and *II* fully accords with the AIA's text and the presumption of reviewability.

Cuozzo undeniably challenges a decision "whether to institute" the IPR proceeding, which Congress assigned to the *Director* of the Patent and Trademark Office in 35 U.S.C. § 314(a).[5] The AIA assigns a different responsibility to the PTAB: the duty to conduct the IPR once instituted. 35 U.S.C. § 316(c) ("The Patent Trial and Appeal Board shall ... conduct each inter partes review *instituted* under this chapter." (emphasis added)). There is *no* provision of the AIA that could even arguably be read to preclude review of PTAB decisions made during the course of instituted proceedings (and thus under the authority assigned by § 316(c)). To the contrary, the plain language of 28 U.S.C. § 1295(a)(4)(A) makes clear that the Federal Circuit generally has jurisdiction over appeals from decisions that the AIA assigns to the PTAB:

> The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction[] ... of an appeal from a decision of[] ... the Patent Trial and Appeal Board ... with respect

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[5] As noted above, the Director has delegated her responsibility to determine whether to institute an IPR trial under § 314(a) to the PTAB. *See supra* pp. 9-10. This delegation does not, of course, change the statutory scheme, which provides that the Director will make a "final" determination whether to institute an IPR trial (§ 314(a)), the PTAB will preside over an instituted proceeding (§ 316(c)), and the Federal Circuit will have jurisdiction under 28 U.S.C. § 1295(a)(4)(A) to review any decision delegated to the PTAB.

> to ... inter partes review under title 35, at the instance of a party who exercised that party's right to participate in the applicable proceeding[.]

28 U.S.C. § 1295(a)(4)(A) (as amended by the AIA). A final, post-institution decision permanently terminating an IPR proceeding is unquestionably "a decision of[] ... the Patent Trial and Appeal Board ... with respect to ... inter partes review." Accordingly, the AIA expressly provides that the Federal Circuit has jurisdiction to hear the appeal of any such decision made during the course of an instituted IPR proceeding. The only basis for a contrary conclusion would be if some other, more specific statute barred review.

In determining whether Congress specifically barred review, courts consider the "*strong presumption* that Congress intends judicial review" of final agency actions. *Bowen* v. *Michigan Acad. of Family Phys.*, 476 U.S. 667, 670 (1986) (emphasis added); *accord Sackett* v. *EPA*, 132 S. Ct. 1367, 1373-1374 (2012). As this Court has explained, "'[v]ery rarely do statutes withhold judicial review. It ... could not be otherwise, for in such a case statutes would in effect be blank checks drawn to the credit of some administrative officer or board.'" *Bowen*, 476 U.S. at 671 (quoting S. Rep. No. 79-752, at 26 (1945)). Thus, the Court reaffirmed just last Term that an "agency bears a '*heavy burden*' in attempting to show that Congress 'prohibited all judicial review' of the agency's compliance with the legislative mandate." *Mach Mining, LLC* v. *EEOC*, 135 S. Ct. 1645, 1651 (2015) (emphasis added).

While the presumption of reviewability can be overcome by "specific language or specific legislative history that is a reliable indicator of congressional in-

tent, or a specific congressional intent to preclude judicial review that is fairly discernable in the detail of the legislative scheme," nothing in the AIA satisfies the "heavy burden" necessary to make this showing as to post-institution decisions terminating IPR proceedings. *See Bowen*, 476 U.S. at 671-673. That is true *regardless* of whether the Court agrees or disagrees with Cuozzo's jurisdictional argument in this case.

The three AIA provisions addressing appealability of IPR rulings—35 U.S.C. §§ 141(c), 314(d), and 319—place no express limitation on appellate review of any post-institution decision made by the PTAB on an issue unrelated to the validity of the challenged patent claims. Section 314(d) bars only review of a decision "*whether*" to institute, which the statute assigns to the Director of the PTO; it does not speak to reviewability of final written decisions made by the PTAB after institution. The other provisions speak solely to the appealability of the PTAB's final written decisions on patentability; they do not address other decisions that the PTAB may make in the course of conducting an instituted IPR.

Nor is there any reason to believe that Congress *impliedly* barred review of post-institution final decisions that the PTAB chose to caption as something other than a "final written decision." While it is true that the Congress expressly provided for review only of final written decisions on patentability (*e.g.*, 35 U.S.C. §§ 318(a), 319), "if the express provision of judicial review in one section of a long and complicated statute were alone enough to overcome the APA's presumption of reviewability ... it would not be much of a presumption at all." *Sackett*, 132 S. Ct. at 1373. This Court and the courts of appeals have routinely recognized that even statutory language that might appear to preclude

review does not overcome the presumption. *E.g.*, *Bowen*, 476 U.S. at 668, 679; *Lindahl* v. *OPM*, 470 U.S. 768, 771, 779-780 (1985); *ACLU* v. *Clapper*, 785 F.3d 787, 803-810 (2d Cir. 2015).[6]

2. The Court should avoid inadvertently depriving litigants of all opportunity to obtain judicial review of an arbitrary and capricious PTAB termination of instituted proceedings, in which the PTO has already deemed a patent claim to be likely invalid.

Permitting appellate review of the PTAB's decision in Medtronic's case also makes sense as a matter of policy and fundamental principles of administrative law. A suggestion by this Court that the Federal Circuit's appellate jurisdiction in IPR cases is limited to PTAB decisions addressing patentability would have the highly undesirable effect of insulating questionable post-institution PTAB termination decisions from judicial oversight—an outcome not provided for in any statute.

Allowing the PTAB to evade judicial review simply by disposing of an instituted IPR on grounds other than patentability—no matter how fanciful the explanation—would grant the agency near-total control over whether a petition receives the scrutiny that Congress envi-

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[6] A Federal Circuit panel has suggested in a published decision that, at least under some circumstances, post-institution decisions are not reviewable. *See GTNX, Inc.* v. *INTTRA, Inc.*, 789 F.3d 1309 (Fed. Cir. 2015). But *GTNX* is easily factually distinguishable from the mine run of post-institution decisions: The *GTNX* petitioner was statutorily barred from pursuing post-grant review and the defect was not curable by amendment. *Id.* at 1311. Medtronic has asked the en banc Federal Circuit to overrule or confine the scope of *GTNX*. *See supra* p. 2.

sioned would be given to *every* instituted IPR. The PTAB could, for instance, simply thin its docket by terminating any instituted IPR in which the petitioner's name begins with a consonant, and the petitioner would have no recourse in the Federal Circuit or, potentially, in any other court. *See supra* p. 12. The PTAB's decision in Medtronic's case is no less absurd; it faulted Medtronic for not naming as an RPI a wholly-owned subsidiary that was fully disclosed and could have been added as an RPI without delay or prejudice. Where, as here, an amendment would not alter the substance of the proceeding, the common practice in the federal system is to permit a relation-back amendment. 6A Wright et al., *Federal Practice & Procedure* § 1555 n.6 (3d ed. updated Apr. 2015) (collecting cases); *see also* Fed. R. Civ. P 17(a)(3) (RPI disclosure may be corrected without terminating proceedings and the case should proceed "as if it had been originally commenced by the real party in interest"). The same rule generally applies in the agency context. *See Edelman*, 535 U.S. at 116.

While there may be situations in which the PTAB could lawfully terminate an instituted petition, its decision to do so is presumptively and properly subject to judicial review. This Court should be careful in this case not to give "the Executive ... a free hand to shelter its own decision from ... appellate court review," with regard to patents that have already been found reasonably likely to be invalid—an "extraordinary delegation [that] cannot be extracted from the statute Congress enacted." *Kucana* v. *Holder*, 558 U.S. 233, 252 (2010); *see also Carlyle Towers Condo. Ass'n* v. *FDIC*, 170 F.3d 301, 310 (2d Cir. 1999) (recognizing that it "is 'axiomatic' that agencies can neither grant nor curtail federal court jurisdiction").

C. The Government's Jurisdictional Arguments Do Not Apply To Post-Institution Rulings.

The government's response to Cuozzo's petition largely addresses only whether 35 U.S.C. § 314(d) bars review of the initial decision to institute proceedings in the first place. Opp. 17-22. For example, the government argues (Opp. 17-19) that § 314(d)'s "clear and uncaveated" language bars all challenges to the decision to institute. That "clear" language, however, only references the decision *whether to institute* (which is statutorily assigned to the Director of the PTO), not post-institution decisions (which the AIA expressly assigns to the PTAB, § 316(c)). Similarly, the government contends (Opp. 19-20) that Cuozzo's reading of § 314(d) would improperly allow for review of some PTO decisions *not* to institute an IPR proceeding. That is not true in a case like Medtronic's, where an IPR is already instituted, thus reflecting an agency determination that the petition has a "reasonable likelihood" of invalidating at least one patent claim.[7] Finally, the government attempts (Opp. 21-22) to downplay what petitioner argues is a split in Federal Circuit case law over whether decisions to institute are appealable. Again, that argument has no bearing on whether the AIA expressly bars review of the *different* type of decision at issue in Medtronic's appeals.

Only two of the government's arguments have even a slight bearing on the reviewability of a post-institution decision that does not address patentability.

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[7] The government recognizes that the PTO can deny a request to institute even where there is in fact a "reasonable likelihood" that the challenged patent claim is invalid. Opp. 20 n.6. The PTO's affirmative decision to institute proceedings—as it did in Medtronic's cases—is accordingly one of great significance and not to be lightly set aside by the PTAB on non-merits grounds.

First, the government contends (Opp. 18) that Cuozzo's reading of § 314(d) would impose no limitation separate from 35 U.S.C. §§ 141(c), 318(a), and 319, which purportedly limit Federal Circuit review to "final decisions with respect to patentability." As discussed above, however, that logic does not apply to a *post-institution* determination such as the one at issue in *Medtronic I* and *II*. Even if § 314(d) is read to preclude review of the decision to institute assigned to the PTO Director under § 314(a), that does not necessarily mean that non-merits, post-institution decisions made under the authority given to the *PTAB* under § 316(c) are unreviewable. And while §§ 141(c), 318(a), and 319 identify a class of PTAB rulings that *can* be appealed, they do not state that other types of PTAB rulings during the course of an instituted IPR *cannot* be appealed. *See supra* p. 15. This Court's jurisprudence confirms that such provisions *do not* bar appeal of other final agency action not specifically mentioned: the "mere fact that some acts are made reviewable [by a statutory scheme] should not suffice to support an implication of exclusion as to others." *Bowen*, 476 U.S. at 674.

Second, the government argues (Opp. 20-21) that Congress intended to make the AIA an "efficient alternative for testing the patentability of issued claims" and accordingly limited judicial review of IPR petitions to final decisions on patentability to avoid "the waste and expense" of having a court consider non-merits issues. But Congress made clear that the primary purpose of the AIA in general and *inter partes* review specifically is to solve the problem of "questionable patents [that] are too easily obtained and are too difficult to challenge." H.R. Rep. No. 112-98, pt. 1, at 39-40 (2011); *see also* 35 U.S.C. § 316(b) (PTO is required to consider, *inter alia*, "the integrity of the patent system" when

administering the AIA). This goal is best served by ensuring that the PTAB does not arbitrarily and capriciously terminate review of patent claims that the agency has already determined are reasonably likely to be invalid.

CONCLUSION

In ruling on the second question presented, the Court should not suggest that the Federal Circuit lacks appellate jurisdiction over final, post-institution PTAB rulings that terminate IPR proceedings without addressing patentability.

Respectfully submitted.

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FEBRUARY 2016

APPENDIX

APPENDIX

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

MEDTRONIC, INC.,
Petitioner,

v.

ROBERT BOSCH HEALTHCARE SYSTEMS, INC.,
Patent Owner.

Case IPR2014-00488 (Patent 7,769,605 B2)
Case IPR2014-00607 (Patent 7,870,249 B2)[1]

PARTIES AND BOARD ONLY
Entered: March 16, 2015

Before MIRIAM L. QUINN, STEPHEN C. SIU, and JUSTIN T. ARBES, *Administrative Patent Judges.*

ARBES, *Administrative Patent Judge.*

DECISION

Patent Owner's Motion to Terminate
35 U.S.C. § 312(a)(2) and 37 C.F.R. § 42.72

Patent Owner Robert Bosch Healthcare Systems, Inc. ("Bosch") filed a Motion to Terminate each of the instant proceedings on the basis that Petitioner Med-

[1] Case IPR2014-00691 has been consolidated with Case IPR2014-00607. This Decision addresses an issue pertaining to both cases. Therefore, we exercise our discretion to issue a single Decision to be filed in each case. The parties are not authorized to use this style heading for any subsequent papers.

tronic, Inc. ("Medtronic") failed to identify Cardiocom, LLC ("Cardiocom") as a real party-in-interest under 35 U.S.C. § 312(a)(2). Paper 32 ("Mot.").[2] Medtronic filed an Opposition, Paper 34 ("Opp."), and Bosch filed a Reply, Paper 37 ("Reply"). With the Board's authorization, the parties also filed supplemental briefs and evidence pertaining to one issue: the funding of the Petitions in these proceedings. *See* Papers 43, 45 ("PO Supp. Br."), 47 ("Pet. Supp. Br."). For the reasons stated below, Bosch's Motions are *granted* and the instant proceedings are *terminated.*

I. BACKGROUND

A. District Court Case

On April 26, 2013, Bosch filed a lawsuit against Cardiocom alleging infringement of U.S. Patent No. 7,769,605 B2 ("the '605 patent"), the patent now being challenged in Case IPR2014-00488, and U.S. Patent No. 7,870,249 B2 ("the '249 patent"), the patent now being challenged in Case IPR2014-00607: *Robert Bosch Healthcare Sys., Inc. v. Cardiocom, LLC*, Case No. 3:14-cv-01575-EMC (N.D. Cal.) (transferred from Case No. 2:13-cv-00349-JRG (E.D. Tex.)). Paper 16, 2. Cardiocom was served with Bosch's complaint on April 29, 2013. Ex. 2059. The district court case has been stayed. Paper 16, 2. Cardiocom currently is the sole defendant. Medtronic is not, and has never been, a defendant in the district court case.

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[2] The parties filed the same papers in both of the instant proceedings. Unless otherwise specified, we refer to the papers and exhibits filed in Case IPR2014-00488 for convenience.

B. The Original IPR Proceedings

In July 2013, Cardiocom filed petitions seeking *inter partes* review of the '605 and '249 patents in Cases IPR2013-00439 and IPR2013-00460, respectively. In each petition, Cardiocom identified itself as the sole real party-in-interest. *See* IPR2013-00439, Paper 3, 1; IPR2013-00460, Paper 5, 1. Cardiocom challenged all claims of the patents, and asserted grounds of unpatentability under 35 U.S.C. § 103(a) based on the following prior art references:

IPR2013-00439	Crawford, Tallman, Vincent, Groner, and Goodman
IPR2013-00460	Goodman, Wahlquist, Bittorf, Fu, and Cohen

See IPR2013-00439, Paper 26, 7–8; IPR2013-00460, Paper 23, 2–3. Cardiocom submitted a Declaration from Robert T. Stone, Ph.D., with its Petition in each proceeding. *See* IPR2013-00439, Ex. 1014; IPR2013-00460, Ex. 1009. In each proceeding, Cardiocom was represented by attorneys from the law firm of Merchant & Gould, P.C. ("Merchant & Gould").

On August 12, 2013, Medtronic announced that it had acquired Cardiocom. Ex. 2064. On December 30, 2013, Cardiocom filed a notice in both proceedings stating that it "acknowledges that Medtronic, Inc. should now be included as an additional real party in interest," but Cardiocom "should remain as a real party in interest as well, as a wholly-owned subsidiary of Medtronic, Inc." *See* IPR2013-00439, Paper 25; IPR2013-00460,

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[3] Additional information regarding the asserted prior art references may be found in the Decisions on Institution.

Paper 22. Cardiocom's petitions were denied on January 16, 2014. *See* IPR2013-00439, Paper 26; IPR2013-00460, Paper 23.

C. The Instant IPR Proceedings

Medtronic filed its Petition challenging the '605 patent in Case IPR2014-00488 on March 6, 2014, and filed two Petitions challenging the '249 patent in Cases IPR2014-00607 and IPR2014-00691 on April 10, 2014, and April 25, 2014, respectively. In each proceeding, Medtronic stated that it is the sole real party-in-interest. *See* IPR2014-00488, Paper 1, 1; IPR2014-00607, Paper 1, 3; IPR2014-00691, Paper 2, 3.

Medtronic challenged all claims of the patents, and asserted grounds of unpatentability under 35 U.S.C. § 103(a) based on the following prior art references:

IPR2014-00488	Crawford, Tallman, Vincent, Groner, Goodman, and Shabot
IPR2014-00607	Goodman, Wahlquist, Bittorf, Wright Jr., Kaufman, and Jeacock
IPR2014-00691	Goodman, Wahlquist, Bittorf, Wright Jr., Kaufman, Jeacock, and Lyons

See IPR2014-00488, Paper 17, 7–8; IPR2014-00607, Paper 17, 3–4; IPR2014-00691, Paper 17, 3–4. Medtronic submitted a Declaration from Dr. Stone with its Petition in each proceeding. *See* IPR2014-00488, Ex. 1018; IPR2014-00607, Ex. 1009; IPR2014-00691, Ex. 1009. At the time of filing its Petitions, Medtronic was represented by attorneys from Merchant & Gould in Cases IPR2014-00488 and IPR2014-00607, and by attorneys

from the law firm of Sterne, Kessler, Goldstein & Fox P.L.L.C. ("Sterne Kessler") in Case IPR2014-00691.

Bosch argued in its Preliminary Response in each proceeding that the Petition should be denied under 35 U.S.C. § 312(a)(2) because Cardiocom also is a real party-in-interest. *See* IPR2014-00488, Paper 17, 9–11; IPR2014-00607, Paper 17, 12–14. Based on the record before us at the time, we concluded that Bosch had not provided sufficient facts upon which we could conclude that Cardiocom is a real party-in-interest. *See* IPR2014-00488, Paper 17, 9–11; IPR2014-00607, Paper 17, 12–14. We instituted a trial with respect to both patents, and consolidated Case IPR2014-00691 with Case IPR2014-00607. *See* IPR2014-00488, Paper 17, 25; IPR2014-00607, Paper 17, 29–30.

Subsequent to institution, we granted-in-part Bosch's motion for additional discovery of information pertaining to whether Cardiocom is a real party-in-interest and, based on the materials produced by Medtronic and arguments of the parties, authorized Bosch to file its Motion to Terminate. *See* IPR2014-00488, Papers 25, 27; IPR2014-00607, Papers 29, 31.

D. Related Matters

On February 27, 2014, a Merchant & Gould attorney filed a request for *ex parte* reexamination of all claims of the '605 patent. Ex. 2083. The request was granted on June 13, 2014, and the reexamination (Reexamination Control No. 90/013,167) currently is pending.

On June 6, 2014, a Sterne Kessler attorney filed a request for *ex parte* reexamination of claims 14–18, 20, 21, and 23–26 of the '249 patent. Ex. 3001. The request was granted on June 20, 2014, and the reexamination

(Reexamination Control No. 90/013,262) currently is pending.

Various patents related to the '605 and '249 patents also are involved in other *inter partes* reviews, *inter partes* reexaminations, and *ex parte* reexaminations. *See* Paper 16, 2–5.

II. ANALYSIS

A. Legal Standard

Pursuant to 35 U.S.C. § 312(a)(2), a petition for *inter partes* review "may be considered *only if* ... the petition identifies *all* real parties in interest" (emphasis added). The identification of all real parties-in-interest assists the Board in identifying potential conflicts of interest, helps identify any potential estoppel issue with respect to 35 U.S.C. § 315(e)(1), and may affect the credibility of evidence presented in a proceeding. *See* Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions; Final Rule, 77 Fed. Reg. 48,612, 48,617 (Aug. 14, 2012). Identification of all real parties-in-interest also enables the Board to determine whether *inter partes* review may be barred under 35 U.S.C. §§ 315(a)(1) or 315(b).

We generally accept a petitioner's identification of real parties-in-interest at the time of filing the petition. *See* Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents; Final Rule, 77 Fed. Reg. 48,680, 48,695 (Aug. 14, 2012) ("Trial Rules"). Thus, there is a rebuttable presumption that a petitioner's identification of real parties-in-interest is accurate. However, when a patent owner provides sufficient rebuttal evidence that reasonably

brings into question the accuracy of the petitioner's identification, the ultimate burden of proof remains with the petitioner to establish that it has complied with the statutory requirement of 35 U.S.C. § 312(a)(2) to identify all real parties-in-interest. This allocation of the burden for establishing whether a third party has, or has not, been identified properly as a real party-in-interest appropriately accounts for the fact that a petitioner is far more likely to be in possession of, or have access to, evidence relevant to the issue than is a patent owner. *See Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, IPR2013-00453, slip op. at 6–8 (PTAB Jan. 6, 2015) (Paper 88) ("*Atlanta Gas*"); *Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, slip op. at 2–7 (PTAB Feb. 23, 2015) (Paper 91); *Zerto, Inc. v. EMC Corp.*, IPR2014-01254, slip op. at 6–7 (PTAB Mar. 3, 2015) (Paper 35).

Whether a non-party is a "real party-in-interest" for purposes of an *inter partes* review proceeding is a "highly fact-dependent question" that takes into account how courts generally have used the term to "describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion." Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012) ("Trial Practice Guide"). In general, a "real party-in-interest" is "the party that desires review of the patent," and "may be the petitioner itself, and/or it may be the party or parties at whose behest the petition has been filed." *Id.* Depending on the circumstances, various factors may be considered, including whether the non-party "exercised or could have exercised control over [the petitioner's] participation in a proceeding," the non-party's "relationship with the petitioner," the non-party's "relationship to the petition itself, including the nature

and/or degree of involvement in the filing," and "the nature of the entity filing the petition." *Id.* at 48,759–60. Another potentially relevant factor is whether the non-party is funding or directing the proceeding. *Id.* For example, "a party that funds and directs and controls an IPR ... petition or proceeding constitutes a 'real party-in-interest,' even if that party is not a 'privy' of the petitioner." *Id.* at 48,760. Complete funding or control is not required for a non-party to be considered a real party-in-interest, however; the exact degree of funding or control "requires consideration of the pertinent facts." *Id.*; *see also ZOLL Lifecor Corp. v. Philips Elecs. N. Am. Corp.*, IPR2013-00607, slip op. at 9 (PTAB Mar. 20, 2014) (Paper 13) (determination of whether a non-party is a real party-in-interest is based on "the totality of the circumstances").

As explained in the Trial Practice Guide, we also find guidance in the Supreme Court's decision in *Taylor v. Sturgell*, 553 U.S. 880 (2008), which sets forth the general rule under federal common law that a person not a party to a lawsuit is not bound by a judgment in that suit, subject to certain exceptions. 553 U.S. at 884, 891–95 (citations omitted); *see* Trial Practice Guide at 48,759 (citing *Taylor*). In *Taylor*, the Supreme Court listed six "categories" of exceptions under which non-party preclusion may be appropriate, two of which are relevant to the instant proceedings:

> Fourth, a non[-]party is bound by a judgment if she *"assume[d] control" over the litigation* in which that judgment was rendered. Because such a person has had "the opportunity to present proofs and argument," he has already "had his day in court" even though he was not a formal party to the litigation.

> Fifth, a party bound by a judgment may not avoid its preclusive force by *relitigating through a proxy*. Preclusion is thus in order when a person who did not participate in a litigation later brings suit as the designated representative of a person who was a party to the prior adjudication. And although our decisions have not addressed the issue directly, it also seems clear that preclusion is appropriate when a non[-]party later brings suit as an agent for a party who is bound by a judgment.

553 U.S. at 895 (citations omitted; emphasis added).

B. Whether Cardiocom is a Real Party-in-Interest

Bosch contends that, based on the history of the prior *inter partes* review proceedings and instant proceedings, and the relationship between Medtronic and Cardiocom, Cardiocom is a real party-in-interest in the instant proceedings under 35 U.S.C. § 312(a)(2). Mot. 1–9. According to Bosch, Medtronic's failure to name Cardiocom in the Petitions cannot be cured because Cardiocom was served with a complaint alleging infringement of the challenged patents more than one year ago under 35 U.S.C. § 315(b). *Id.* at 10. Medtronic responds that Cardiocom is not a real party-in-interest because Medtronic exercised exclusive control over the preparation of the Petitions and participation in these proceedings, and that even if Cardiocom is a real party-in-interest, termination is inappropriate under the Board's rules. Opp. 1–10. After considering all of the evidence of record and the parties' arguments, we are persuaded that Medtronic is acting as a proxy for Cardiocom, and that Cardiocom should have been named in the Petitions as a real party-in-interest.

First, Cardiocom is the party accused of infringing the '605 and '249 patents in the district court case, not Medtronic. Thus, Cardiocom has an interest in the claims of the patents being determined to be unpatentable, which would allow it to avoid liability in the district court case. *See* Trial Practice Guide, 77 Fed. Reg. at 48,759 (a "real party-in-interest" is "the party that desires review of the patent"). At least at the time of filing the Petitions, any interest Medtronic may have had in the claims being determined to be unpatentable came solely from its ownership of Cardiocom. Indeed, as Bosch points out, Medtronic challenged the same claims of the '249 patent (claims 1, 2, 6–8, and 11–13) in its Petition in Case IPR2014-00607 that are being asserted against Cardiocom in the district court case. *See* Mot. 3 (citing Ex. 2085). This further supports that it is Cardiocom's interest that matters, and that Medtronic is acting merely as a proxy on behalf of its subsidiary.[4]

Medtronic argues that it has an independent interest in challenging the '605 and '249 patents, apart from its interest as Cardiocom's parent. Opp. 6. Medtronic cites as support an email from Bosch to Medtronic stating that Bosch would like to "re-ignite the communication" between the two companies and stating Bosch's position that Medtronic products infringe certain unspecified patents of Bosch. *Id.* The email in question, however, was sent on April 15, 2014—after the Petitions in Cases IPR2014-00488 and IPR2014-00607 were filed. *See* Ex. 2086; Reply 4. Similarly, Medtronic

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[4] We recognize that Medtronic also challenged the remaining claims of the '249 patent (claims 3–5, 9, 10, and 14–29) in its Petition in Case IPR2014-00691. The Petition in Case IPR2014-00607, however, was filed by the same law firm that represented Cardiocom in Case IPR2013-00460, and was similar to the previous case in many respects, as explained herein.

points to communications it had with Bosch in September 2014 regarding Medtronic products. Opp. 6 (citing Ex. 1031 ¶¶ 2–4). Because these materials do not predate the filing of the Petitions, the email and subsequent communications could not have factored into Medtronic's decision to file the Petitions.

Medtronic also cites evidence that Bosch attempted to license its portfolio of patents and asserted those patents against various other companies. *Id.* (citing Ex. 1031 ¶¶ 7–8). The fact that Bosch licensed or asserted its portfolio of patents generally, with companies other than Medtronic, does not demonstrate that Medtronic had an interest, independent of its ownership of Cardiocom, in challenging the '605 and '249 patents, or specific claims of those patents, when it filed the Petitions.

Second, Cardiocom's interest is evidenced by the fact that it previously filed its own petitions seeking *inter partes* review of the '605 and '249 patents, naming itself as the real party-in-interest. Cardiocom's petitions involved the same challenged claims, and similar prior art references and arguments, as Medtronic's Petitions in the instant proceedings, and were supported by testimony from the same declarant, Dr. Stone. *See supra* Section I.B–C. Cardiocom and Medtronic also have the same counsel, Merchant & Gould.[5] *See id.* Further, after Cardiocom was acquired by Medtronic, Cardiocom represented that both Medtronic and Cardiocom were real parties-in-interest in the earlier pro-

[5] Medtronic retained different counsel in Case IPR2014-00691, but its lead counsel in the consolidated proceeding, Case IPR2014-00607, is the same as Cardiocom's lead counsel in the earlier proceeding, Case IPR2013-00460. *See* IPR2013-00460, Paper 5, 2–3; IPR2014-00607, Paper 21, 2.

ceedings, demonstrating Cardiocom's recognition of its interest in the patents being reviewed. *See id.*

Third, statements made by Cardiocom in the district court case suggest that Cardiocom believed itself to be a real party-in-interest for purposes of the instant proceedings, or, at the very least, that it has a collective interest with Medtronic in the Petitions. On May 15, 2014, after the Petitions in the instant proceedings were filed, Cardiocom moved to stay the district court case pending the Board's resolution of these proceedings. Ex. 2076. Cardiocom stated that it "respectfully requests this Court to hear Cardiocom's motion to stay this lawsuit pending the resolution of the *inter partes* review (IPR) and reexamination proceedings *requested by Cardiocom* regarding all six patents-in-suit."[6] *Id.* at 1 (second emphasis added). The '605 and '249 patents are among the six patents asserted in the district court case. In its reply brief, Cardiocom stated that "the PTO has already granted IPRs covering the majority of the asserted claims of four of the patents in suit and *Cardiocom and Medtronic have already filed petitions* and reexaminations requesting any remaining claims be canceled by the PTO." Ex. 2077, 14 (emphasis added).

In response, Medtronic contends that the statements cited above are "literally erroneous," and should be given little weight in view of two other, more specific statements in Cardiocom's motion. Opp. 5–6. Cardiocom stated later in its motion that "Medtronic ... filed its own petition for IPR against the '605 patent" and "Medtronic filed two petitions for IPR ... to address all

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[6] The district court's decision granting Cardiocom's motion to stay discusses the various petitions for *inter partes* review and *ex parte* reexamination requests filed by Cardiocom and Medtronic cited herein. Ex. 3002, 1–3.

of the claims in the '249 Patent." Ex. 2076, 10–11. Medtronic, however, ignores the sentence immediately following these two statements: "Medtronic's filings [of the Petitions in the instant proceedings] were less than one year after Cardiocom was served with the suit and thus were within *the statutory deadline for real parties in interest.* 35 U.S.C. § 315(b)." *Id.* at 11 (emphasis added). The one-year bar of 35 U.S.C. § 315(b) applies only to a party that has been served with a complaint alleging infringement, and other real parties-in-interest and privies of that party. Only Cardiocom has been served with a complaint alleging infringement of the '605 and '249 patents. Accordingly, Cardiocom's statement regarding the "statutory deadline for real parties in interest" only makes sense if Cardiocom believed itself to be a real party-in-interest. Yet Medtronic did not name Cardiocom in the Petitions.

We also note that, with respect to the *ex parte* reexamination request for the '605 patent filed by a Merchant & Gould attorney on February 27, 2014 (Reexamination Control No. 90/013,167), Cardiocom represented to the district court that the request, along with another *ex parte* reexamination request for a related patent, was filed by "Medtronic and Cardiocom." *See* Ex. 2076, 10 n.7; Exs. 2083, 2084 (reexamination requests). At the very least, the statement suggests coordinated interest and action between Medtronic and Cardiocom in attempting to challenge the claims of the '605 patent.

Fourth, in response to our granting Bosch's motion for additional discovery, Medtronic produced a privilege log listing four "communications between Medtronic and Cardiocom regarding the preparation or filing of the Medtronic IPRs." *See* Paper 25, 3–4, 9; Ex. 2078. Medtronic states in the privilege log that the ma-

terials pertain to "Medtronic's plans regarding reexaminations and IPRs" and "work done to prepare [the] Medtronic IPRs." Ex. 2078, 2. Although the exact content of the communications is unknown, and Medtronic contends that Cardiocom had no substantive input into the content of the Petitions, *see* Opp. 3; Ex. 1030 ¶¶ 4–5, 8–9, the privilege log at least demonstrates that Medtronic communicated with Cardiocom senior executives about the preparation or filing of the Petitions, at the time when the Petitions were being prepared. We also note that one individual named on the emails held executive positions with both Cardiocom and Medtronic, which again is indicative of coordinated interest between the two companies with respect to challenging the '605 and '249 patents. *See* Ex. 2078, 2 (first, second, and third emails); Ex. 1030 ¶ 9.

Fifth, the evidence of record shows that Cardiocom paid a portion of the fees incurred for preparing the Petitions in Cases IPR2014-00488 and IPR2014-00607. Again in response to our granting Bosch's motion for additional discovery of "[d]ocuments or things containing communications between Medtronic and Cardiocom regarding the preparation or filing of the Medtronic IPRs," Medtronic produced two emails from a Cardiocom employee forwarding Merchant & Gould's invoices for January and February 2014 to Medtronic and asking Medtronic to "approve" the invoices. *See* Paper 25, 3, 9; Exs. 2080, 2088. The two invoices were paid by check by a Cardiocom employee from a Cardiocom bank account. *See* Pet. Supp. Br. 2; Ex. 1050 ¶¶ 12, 14 (Cardiocom employee "paid the invoice[s] from a checking account bearing the name Cardiocom"); Ex. 1048 ¶¶ 13–14 (Merchant & Gould received checks "that bear[] the name 'Cardiocom'").

Medtronic argues that Cardiocom paid the invoices "under Medtronic's direction and control (and thus as Medtronic's agent)," and that the bank account was controlled by Medtronic once it "assumed ownership of Cardiocom's assets" in 2013. Pet. Supp. Br. 2. According to Medtronic, when it acquired Cardiocom, it "folded Cardiocom's finances into its own." Opp. 1; *see* Ex. 1034 ¶ 2 ("Medtronic has integrated finances with Cardiocom and controls Cardiocom's budget. Medtronic assumed control of Cardiocom's finances and budget at the time it acquired Cardiocom. Medtronic does not separately report Cardiocom's finances, but rather integrates them into its reporting of Medtronic's finances.") Medtronic also points out that it paid all fees to Sterne Kessler associated with the Petition in Case IPR2014-00691, and that it paid all fees incurred for the three Petitions after February 2014, including the filing fees to the Office. Pet. Supp. Br. 1–2.

Funding of a petition for *inter partes* review can be an important factor in determining whether a non-party is a real party-in-interest. *See* Trial Practice Guide, 77 Fed. Reg. at 48,760. Complete funding is not necessary; "less" than total funding may be indicative of a real party-in-interest depending on all of the "pertinent facts." *See id.*; *GEA Process Eng'g, Inc. v. Steuben Foods, Inc.*, IPR2014-00041, slip op. at 13–21 (PTAB Feb. 11, 2015) (Paper 140) (finding a non-party that paid the petitioner's legal fees for a period of time in an *inter partes* review to be a real party-in-interest) ("*GEA Process*"); *see also In re Guan*, Reexamination Control No. 95/001,045, Decision Vacating Filing Date at 8 (Aug. 25, 2008) ("a party paying for a particular patent to be the subject of a request for *inter partes* reexamination would appear to be a real party in interest"). Here, Medtronic paid the majority of fees associated

with its participation in the proceedings. It is of some relevance, however, that Cardiocom was the entity invoiced for the preparation of the Petitions that occurred in January and February 2014, and that Cardiocom paid those invoices (albeit with Medtronic's approval). At minimum, Cardiocom's actions contradict Medtronic's position that Cardiocom had no role at all in the preparation of the Petitions.

It also is relevant that Medtronic's Petitions in the instant proceedings rely on similar prior art references and arguments as Cardiocom's petitions in the earlier proceedings, and that portions of Dr. Stone's testimony in the instant proceedings are identical to his testimony in the earlier proceedings.[7] At some level, therefore, Medtronic's Petitions enjoyed the benefit of work done previously, and *paid for*, by Cardiocom. We weigh these facts together with all of the other evidence discussed herein.

Taken alone, none of the facts above may be sufficient to show that Cardiocom is a real party-in-interest in these proceedings. *See* Trial Practice Guide, 77 Fed. Reg. at 48,760 ("rarely will one fact, standing alone, be determinative of the [real party-in-interest] inquiry"). Collectively, though, assessing the totality of the evidence, they demonstrate that Cardiocom is the party with the substantive interest that desires review of the '605 and '249 patents, and that Medtronic is acting as a proxy for Cardiocom. *See Taylor*, 553 U.S. at 895 ("[A] party bound by a judgment may not avoid its preclusive

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[7] *See supra* Section I.B–C. *Compare* IPR2013-00439, Paper 3, 6–7, 9–11, 40–48, 51–56, *with* IPR2014-00488, Paper 1, 8–12, 48–51, 54–60; *compare* IPR2013-00439, Ex. 1014 ¶¶ 1–8, 11–16, 20, 23–25, 27, 28, 32–35, 38, 40, 45, 46, 51–54, 59–62, *with* IPR2014-00488, Ex. 1018 ¶¶ 1–8, 11–16, 35, 37, 61, 63, 65, 66, 69, 74, 75, 77, 80, 85–89, 96–100, 106–108, 110, 111.

force by relitigating through a proxy. Preclusion is thus in order when a person who did not participate in a litigation later brings suit as the designated representative of a person who was a party to the prior adjudication.").

Medtronic's arguments in its Opposition focus entirely on whether Cardiocom controls or has the opportunity to control Medtronic's participation in these proceedings. Opp. 1–8 (citing Exs. 1030–34, declarations from Medtronic employees and a Merchant & Gould attorney). A non-party may be a real party-in-interest even in the absence of control or an opportunity to control. *See* Trial Practice Guide, 77 Fed. Reg. at 48,760 (citing *California Physicians' Serv. v. Aoki Diabetes Research Inst.*, 163 Cal. App. 4th 1506, 1523–25 (Cal. App. 2008), for the proposition that "preclusion can apply even in the absence of such control"). Relitigating through a proxy is a separate category under which non-party preclusion may occur. *See Taylor*, 553 U.S. at 895.

The instant proceedings are analogous to the situation in *RPX Corp. v. VirnetX, Inc.*, IPR2014-00171, slip op. at 4–11 (PTAB July 14, 2014) (Paper 57) ("*RPX*"). In that case, there was no dispute that the petitioner RPX Corporation ("RPX") had control over the filing of the petitions, but the panel nevertheless found Apple Inc. ("Apple") to be a real party-in-interest because RPX was acting as a proxy for Apple. Similar to the situation here, (1) Apple, not the petitioner RPX, was the party accused of infringing the challenged patents and, therefore, the party with the interest in the claims being reviewed; (2) Apple previously attempted to challenge the patents by filing its own petitions for *inter partes* review, which were denied; (3) RPX asserted grounds in its petitions similar to those asserted previ-

ously by Apple, using the same counsel and declarant as Apple; and (4) Apple compensated RPX for certain activities, including filing the petitions, even though the agreement between the parties specified that RPX would have "complete control" over the activities. *Id.* at 4–10. The panel concluded that RPX was, "at most, a 'nominal plaintiff' with 'no substantial interest' in the[] IPR challenges apart from those of its client, Apple." *Id.* at 9. For similar reasons, we conclude that Medtronic is acting as a proxy for Cardiocom, just as RPX acted as a proxy for Apple.

Finally, our determination that Cardiocom is a real party-in-interest is consistent with the purposes of the statutory estoppel provisions in the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) ("AIA"), to "protect patent owners from harassment via successive petitions by the same or related parties [and] prevent parties from having a 'second bite at the apple.'" Trial Practice Guide, 77 Fed. Reg. at 48,759; *see RPX*, slip op. at 10 (noting the "express legislative intent concerning the need for quiet title" for patent owners). As explained above, Medtronic is a nominal party with no substantial interest apart from that of its subsidiary Cardiocom, the party sued for infringement of the '605 and '249 patents. Permitting Medtronic to circumvent the one-year time bar incurred by its acquired, now time-barred subsidiary would amount to a "second bite at the apple" for Cardiocom.

C. Remedy for Failure to Name All Real Parties-in-Interest

Having concluded that Cardiocom should have been named in the Petitions as a real party-in-interest in the instant proceedings, we must determine the appropri-

ate remedy for that deficiency. A petition for *inter partes* review may be considered "only if" it meets certain statutory requirements, including identification of "all" real parties-in-interest. 35 U.S.C. § 312(a)(2). Medtronic's Petitions, therefore, are incomplete and cannot be considered. Further, even if the Petitions could be corrected to name Cardiocom as an additional real party-in-interest, the Petitions would be accorded a new filing date. 37 C.F.R. § 42.106(b). The new filing date necessarily would be more than one year after the date on which Cardiocom was served with a complaint alleging infringement of the '605 and '249 patents (April 29, 2013), making the Petitions time-barred under 35 U.S.C. § 315(b). Because the Petitions cannot be considered, and should not have been considered at the time of institution, the appropriate remedy is to terminate the instant proceedings and vacate our Decisions on Institution. *See Atlanta Gas*, slip op. at 13–15; *GEA Process*, slip op. at 21–27.

Medtronic argues that termination is inappropriate because it had a "factually grounded, objectively reasonable basis to name itself as the sole" real party-in-interest, and "disclosed its parent-subsidiary relationship with Cardiocom in the Petitions." Opp. 8. As explained above, however, even if Medtronic's error is deemed correctable, it would require according the Petitions a new filing date that would cause them to be time-barred. Further, although Medtronic identified itself in the Petitions as the parent of Cardiocom, it never identified Cardiocom as a "real party-in-interest." *See* IPR2014-00488, Paper 1, 1 ("Medtronic, Inc. is the real party-in-interest for petitioner."); IPR2014-00607, Paper 1, 3 (same); IPR2014-00691, Paper 2, 3 (same). Whether Medtronic's corporate structure was disclosed is not the issue; what matters is

whether Medtronic identified "all" real parties-in-interest under 35 U.S.C. § 312(a)(2).

Medtronic also contends that it should be permitted a reasonable amount of time to "join" Cardiocom under Federal Rule of Civil Procedure 17(a)(3), citing the Trial Practice Guide. Opp. 9 (citing 77 Fed. Reg. at 48,759). The Federal Rules of Civil Procedure do not apply to *inter partes* review proceedings, however. Further, the Trial Practice Guide merely refers to Rule 17 in explaining how the term "real party-in-interest" is understood, while acknowledging that the typical understanding of the term in litigation "does not fit directly into the AIA trial context." 77 Fed. Reg. at 48,759. It does not state that the Board will follow the procedures of Rule 17(a)(3) when addressing real party-in-interest issues. Also, it is unclear what Medtronic means by stating that Cardiocom can be "joined" to these proceedings under Rule 17(a)(3), when the AIA already provides for joinder in a separate provision, 35 U.S.C. § 315(c), requiring the filing of a new petition.

Finally, Medtronic argues that the proceedings should not be terminated because Bosch failed to seek rehearing of the Decisions on Institution, where we determined that Medtronic had established a reasonable likelihood of prevailing. Opp. 10. This argument is not persuasive, as the Motion to Terminate is based on new evidence uncovered in discovery and new arguments made by Bosch not made in its Preliminary Responses. *See* Paper 27, 2 (authorizing the Motion to Terminate based on "the new evidence cited by Bosch and the parties' arguments"); Trial Rules, 77 Fed. Reg. at 48,695 ("After institution, standing issues may still be raised during the trial. A patent owner may seek authority from the Board to take pertinent discovery or to file a motion to challenge the petitioner's standing.").

III. CONCLUSION

Based on all of the evidence of record, we conclude that Cardiocom should have been named as a real party-in-interest in these proceedings. We do not reach this conclusion lightly, as the consequence of not naming Cardiocom is termination of the proceedings. Pursuant to 35 U.S.C. § 312(a)(2), however, a petition for *inter partes* review may be considered "only" if it identifies "all" real parties-in-interest. Bosch has provided sufficient evidence to reasonably bring into question the accuracy of Medtronic's representation in the Petitions that it is the sole real party-in-interest, and Medtronic has not proved that it is the sole real party-in-interest. Accordingly, we vacate the Decisions on Institution and do not issue final written decisions under 35 U.S.C. § 318(a) with respect to the patentability of the challenged claims.

In consideration of the foregoing, it is hereby:

ORDERED that the instant proceedings are *terminated*, pending resolution of any remaining motions to seal;[8] and

FURTHER ORDERED that the Decisions on Institution in the instant proceedings are *vacated*.

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[8] In a concurrently entered Decision, the parties' pending motions to seal are denied without prejudice to re-filing.

NOTE: This order is nonprecedential.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

MEDTRONIC, INC.,
Appellant,

v.

ROBERT BOSCH HEALTHCARE SYSTEMS, INC.,
Appellee.

2015-1977, -1986, -1987
Filed: November 17, 2015

Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Nos. IPR2014-00488, IPR2014-00607, and IPR2014-00691

ON MOTION

Before LOURIE, DYK, and HUGHES, *Circuit Judges.*

DYK, *Circuit Judge.*

ORDER

Robert Bosch Healthcare Systems, Inc. moves to waive the requirements of Federal Circuit Rule 27(f) and dismiss Medtronic, Inc.'s appeals for lack of jurisdiction. Medtronic opposes the motion. Bosch replies to the response.

BACKGROUND

Bosch owns two patents, U.S. Patent Nos. 7,769,605 and 7,870,249, relating to systems and methods for remote patient monitoring. In April 2013, Bosch sued Cardiocom, LLC, Medtronic's subsidiary, in the United States District Court for the Northern District of California, alleging infringement of the two patents.

Cardiocom petitioned the Patent and Trademark Office for *inter partes* review of those two patents, but its petitions were denied by the PTO in January 2014.* A few months later, Medtronic filed its own petitions seeking *inter partes* review of the two Bosch patents. It stated in each of those petitions that Medtronic was the sole real party-in-interest, failing to list Cardiocom.

The Patent Trial and Appeal Board granted Medtronic's petitions and instituted trials with respect to both Bosch patents. But after commencing proceedings, the Board allowed Bosch leave to file a motion to terminate on the grounds that 35 U.S.C. § 312(a)(2) barred review because Medtronic's petitions failed to "identif[y] all real parties in interest."

On March 16, 2015, the Board granted Bosch's motion. Determining that Cardiocom should have been named a real party-in-interest in the proceedings, the Board concluded that Medtronic's petitions were incomplete and therefore vacated the institution decisions and terminated proceedings.

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* Medtronic announced that it acquired Cardiocom while Cardiocom's petitions were pending before the Board. Cardiocom provided notice to the Board, indicating that it became a wholly-owned subsidiary of Medtronic and that Medtronic should be included as an additional real party-in-interest.

After its request for rehearing was denied, Medtronic filed these appeals, which this court consolidated. On September 4, 2015, Medtronic filed its opening brief, arguing that this court has jurisdiction over these appeals, or, in the alternative, that this court should treat these appeals as a petition for a writ of mandamus. Bosch moves to dismiss for lack of jurisdiction.

DISCUSSION

This court lacks jurisdiction over Medtronic's appeals.

Read together, 35 U.S.C. §§ 319 and 141(c) authorize appeals only from a "final written decision of the [Board] under section 318(a)," which in turn refers only to "a final written decision *with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).*" 35 U.S.C. § 318(a) (emphasis added). Here, the Board made no decision "with respect to the patentability" of any claim.

Medtronic argues that this court has authority under 28 U.S.C. § 1295(a)(4)(A) to review the Board's decision. But we have explained that § 1295(a)(4)(A) "is most naturally read to refer precisely to the Board's decision under 318(a) on the merits of the *inter partes* review." *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1376 (Fed. Cir. 2014). The Board's decision did not make a merits determination, and therefore these appeals are outside the scope of §§ 141(c), 318(a), 319 and, in turn, outside § 1295(a)(4)(A).

The Board's decision to reconsider and vacate its initial institution determination and terminate proceedings is instead fairly characterized as a decision wheth-

er to institute proceedings that is "final and nonappealable" under 35 U.S.C. § 314(d). In *GTNX, Inc. v. INTTRA, Inc.*, we explained that "[i]t is strained to describe this as anything but a 'determination ... whether to institute' proceedings—statutory language that is not limited to an *initial* determination to the exclusion of a determination on reconsideration" and that such a decision is "final and nonappealable." 789 F.3d 1309, 1312 (Fed. Cir. 2015) (citations omitted).

Medtronic cites the presumption in favor of judicial review of Board decisions. This court, however, has held that this presumption has been rebutted when it comes to the review of the PTO's determinations at the institution stage. *See Versata Dev. Grp., Inc. v. Lee*, 793 F.3d 1352, 1354 (Fed. Cir. 2015); *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1272–75 (Fed. Cir. 2015); *GTNX*, 789 F.3d at 1312; *St. Jude*, 749 F.3d at 1376; *see also Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 672–73 (1986) ("Congress can, of course, make exceptions to the historic practice whereby courts review agency action.").

Nor are we convinced by Medtronic's other attempts to explain why *GTNX* is not controlling here. It tries to distinguish *GTNX* on the grounds that it was undisputed in *GTNX* that the petitioner was statutorily barred from pursuing review and the defect was uncurable. This difference, however, does not affect our analysis, which is based on the statutory provisions that preclude review of the Board's decision.

Alternatively, Medtronic requests that we treat this appeal as a petition for writ of mandamus, arguing that the Board committed a number of substantial errors, including (1) failing to accord Medtronic fair notice; (2) improperly finding Cardiocom to be a real-

party-in-interest; and (3) failing to allow Medtronic to amend its petitions to add Cardiocom. But it has not demonstrated entitlement to mandamus relief.

In *In re Dominion Dealer Solutions, LLC.*, 749 F.3d 1379 (Fed. Cir. 2014), which also involved a requested *inter partes* review, we denied mandamus based on the absence of a "clear and indisputable" right to relief in view of the statutory scheme precluding review of non-institution decisions. *Id.* at 1381 (citation and internal quotation marks omitted). Given the same statutory provisions preclude Medtronic from appealing the Board's decision, here too it cannot be said that Medtronic has a clear and indisputable right for this court to hear its challenges to the Board's decision.

Accordingly,

IT IS ORDERED THAT:

(1) Bosch's motion to waive Federal Circuit Rule 27(f) and motion to dismiss are granted. The appeals are dismissed and mandamus relief is denied.

(2) Each side shall bear its own costs.

FOR THE COURT

/s/ Daniel E. O'Toole
Daniel E. O'Toole
Clerk of Court

s32

ISSUED AS A MANDATE: November 17, 2015

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

MEDTRONIC, INC.,
Plaintiff,

v.

MICHELLE LEE,
Defendant.

Case No. 1:1-15-cv-946
Filed: January 21, 2016

MEMORANDUM OPINION & ORDER

THIS MATTER is before the Court on Defendant Michelle Lee's Motion to Dismiss for Lack of Subject-Matter Jurisdiction (Doc. 11) and Motion to Dismiss Count IV for Failure to State a Claim (Doc. 12). This case arises from the Patent and Trademark Board's ("PTAB") decision to terminate an *inter partes* review of United States Patent Numbers 7,769,605 ("the '605 patent") and 7,870,249 ("the '249 patent").

Plaintiff brings this action to appeal the PTAB's decision, asserting that the Administrative Procedure Act ("APA") grants this Court jurisdiction to review Plaintiff's appeal. Defendant, in response, brings this Motion to Dismiss for Lack of Subject-Matter Jurisdiction, asserting primarily that § 314(d) of the recently enacted America Invents Act ("AIA"), precludes judicial review of the PTAB's decision. This case turns on

the interpretation of the AIA and how it intersects with the APA.

There are four issues before the Court. The first issue is whether Congress, through the AIA, precluded APA judicial review of PTAB determinations of "whether to institute" *inter partes* review proceedings over previously issued patents. This Court holds that, through the express language and intricate scheme of the AIA, Congress has precluded judicial review of PTAB determinations of "whether to institute" *inter partes* review of previously issued patents.

The second issue is whether the PTAB's decision to terminate an already-instituted *inter partes* review, constitutes a decision on "whether to institute" *inter partes* review, and is thus final and nonappealable. This Court holds that the PTAB's decision to terminate a previously instituted review proceeding constitutes a decision of "whether to institute" *inter partes* review because the decision to terminate nevertheless requires the PTAB make a determination of whether an *inter partes* review. Thus, when the PTAB makes a determination of whether to institute *inter partes* review—whether at the outset of a request for *inter partes* review or after having previously instituted the *inter partes* review—this constitutes a decision on "whether to institute" *inter partes* review for the purposes of the AIA and therefore is final and nonappealable.

The third issue is whether Plaintiffs position, as statutorily precluded from appealing to the Federal Circuit and having no alternative remedy for judicial review of the PTAB's decision to terminate *inter partes* review, is sufficient to confer jurisdiction on this Court under the APA. The Court holds that, though the APA

confers a general cause of action to obtain judicial review of an agency action when no other adequate remedy exists, this allocation applies only when a statutory provision does not explicitly preclude such judicial review. Here, because the AIA explicitly precludes judicial review of PTAB determinations of "whether to institute" *inter partes* review through express language, its revised statutory scheme, and recent case law, the APA does not grant this Court with jurisdiction to review Plaintiff's appeal of the PTAB's decision.

Finally, the fourth issue is whether Plaintiff's challenge to the PTAB's *standard* for determining what constitutes a Real Party in Interest or the PTAB's application of that standard, is different from a challenge of the PTAB's decision on whether to institute *inter partes* review, and therefore permits this Court jurisdiction to review Plaintiff's appeal. The Court holds that the AIA's preclusive language governing the PTAB's decision on whether to institute *inter partes* review applies to the decision as whole, including the PTAB standard and its application; again, precluding this Court from exercising jurisdiction over Plaintiff's claim.

I. BACKGROUND

This case began as a patent infringement dispute between Cardiocom, LLC ("Cardiocom")—Plaintiff's subsidiary—and Robert Bosch Healthcare Systems, Inc. ("Bosch") regarding the '605 and '249 patents. (Doc. 13, Mem. in Supp. of Def. Mtn. to Dismiss for Lack of Juris. at 8-9). On April 26, 2013, Bosch filed a complaint in the United States District Court for the Eastern District of Texas against Cardiocom, asserting that Cardiocom had infringed six of Bosch's patents, including the '605 and '249 patents. *Id.* at 9. While this

action was pending, Cardiocom sought to have the United States Patent and Trademark Office ("USPTO") conduct an administrative review of the patents Bosch alleged Cardiocom had infringed. *Id.* In July 2013, Cardiocom filed its first petition requesting that the USPTO institute *inter partes* review of the '605 and '249 patents. *Id.* at 10. However, one month later in August 2013, Medtronic, Inc., the Plaintiff in this action, purchased Cardiocom, making Cardiocom its wholly-owned subsidiary. *Id.*

On December 30, 2013, while its *inter partes* review petitions were still pending, Cardiocom attempted to add Plaintiff Medtronic as a Real Party in Interest ("RPI") to its proceeding. (Doc. 13-1, Exhibit A, Cardiocom's Notice of Real Party in Interest). However, on January 16, 2014, the Patent and Trademark Board ("PTAB") determined not to institute *inter partes* review of the '605 and '249 patents. (Doc. 13-1, Exhibit B, USPTO's Decision Denying Institution of *Inter Partes* Review). In spite of this, in March and April 2014, Plaintiff, *without* its subsidiary Cardiocom, filed new petitions seeking institution of *inter partes* review of the very same patents. (Doc. 13-1, Exhibit C, Medtronic's Petition for *Inter Partes* Review at 1). Plaintiff was listed as the *only* RPI in the new petitions. *Id.* In response, Bosch opposed the institution of *inter partes* review and argued that Cardiocom was *also* an RPI and as such, should have been included in Plaintiff's petition. (Doc. 13-1, Exhibit D, Patent Owner's Mtn. for Addt'l Discovery from Pet. Medtronic, Inc. at 1).

Nevertheless, in a decision issued on September 11, 2014, the PTAB decided to institute *inter partes* review of the '605 and '249 patents. (Doc. 13 at 10). With respect to the RPI issue, the PTAB concluded that Bosch

had not provided a sufficient factual basis upon which to conclude, based on the current record, that Cardiocom was an RPI to Plaintiff's petition for *inter partes* reviews of the '605 and '249 patents. *Id.* at 9. Thus, the *inter partes* review proceedings continued. *Id.* at 10. In spite of this, Bosch filed a motion with the PTAB requesting the ability to obtain further discovery from Plaintiff regarding the RPI issue. (Doc. 13-1, Exhibit D). The PTAB agreed, "in the interest of justice." *Id.* at 4. After Plaintiff provided discovery, Bosch moved the PTAB to *rescind* its decision to institute *inter partes* proceedings and terminate the pending review proceedings. (Doc. 13-1, Exhibit F, Patent Owner's Mtn. to Terminate).

Drawing on the proceedings in the U.S. District Court for the Northern District of California, Bosch asserted that Cardiocom, while arguing that the district court should stay the pending litigation, labeled *itself* as the RPI, by stating that *it* was the party that had requested *inter partes* review of the '605 and '249 patents. Memo in Supp. of Def. Mtn. to Dismiss at 9. Bosch additionally argued that Cardiocom's payment and control of the *inter partes* review petitions, submitted by Plaintiff, further demonstrated that Cardiocom is a RPI to Plainitff's petitions and as such, should have been included in Plaintiff's petitions for *inter partes* review. *Id.* at 5-8.

The parties fully briefed the issue of whether Cardiocom was an RPI to Plaintiff's petitions, and on March 16, 2015, the PTAB determined that Cardiocom *was* an RPI to the proceeding and as such, should have been named in Plaintiff's petition as a RPI. (Compl., Ex. 1 PTAB's Decision on Patent Owner's Motion to Terminate). Specifically, the PTAB noted that when Plaintiff filed its petitions for the institution of *inter*

partes review, its only interest in a finding of unpatentability "came solely from its ownership of Cardiocom." *Id.* at 10. The PTAB also cited the fact that Cardiocom, prior to its ownership by Plaintiff, had filed petitions for *inter partes* review on the same patents. *Id.* at 11-12. Additionally, the PTAB noted that Cardiocom had informed the Northern District of California that it "believed itself to be an RPI for purposes of" those *inter partes* review proceedings. *Id.* at 12. In light of this, the PTAB terminated Plaintiff's pending *inter partes* review proceedings of the '605 and '249 patents. *Id.* at 9.

Plaintiff then brought this case, appealing the PTAB's decision to terminate the instituted *inter partes* proceedings. (Doc. 1). In response, Defendant brings this Motion to Dismiss for Lack of Subject-Matter Jurisdiction. (Doc. 11). Defendant's motion rests primarily on the interpretation of the Congress's latest statute detailing the PTAB's decision to reexamine issued patents. *See* Doc. 13. Specifically, Defendant's Motion to Dismiss for Lack of Subject-Matter Jurisdiction turns on the interpretation of § 314(d) of the recently enacted America Invents Act ("AIA"), its language precluding judicial review of certain PTAB decisions, and its intersection with the APA.

The Leahy-Smith America Invents Act

In 2011, Congress sought to, for the third time, alter the statutory scheme of patent reexaminations to provide a more streamlined process. *See* H.R. Rpt. 112-98, at 45 (2011). This new process was meant to allow the PTAB to fully resolve petitions for patent reexamination, resulting in fewer cases in the district courts. *Id.* To do so, Congress created the Leahy-Smith America Invents Act, Pub. L. No. 112-29, §18. The AIA de-

tails two distinct procedures for patent owners and challengers to obtain reexamination of patents that were already issued: (1) *inter partes* review and (2) post-grant review. The proceedings for *inter partes* review are codified in 35 U.S.C. §§ 312-19 (2013); similarly, the procedures for post-grant review are codified in 35 U.S.C. §§ 321-29 (2013).

Reflecting Congress' unified intention to streamline both processes, *inter partes* review and post-grant are nearly identical in their purposes and procedural requirements, differing only in minute areas, such as the time restraints of each respective procedure. *See generally id.* §§ 312-19, 321-29. Both review proceedings are conducted entirely by the PTAB alone, §§ 316(c) and 326(c); both proceedings require a petition seeking to institute review proceedings which identifies all RPIs, § 312(a)(2) and 37 C.F.R. § 42.8(b)(l); 35 U.S.C. § 322(a)(2); both procedures specifically state that the PTAB's decision of whether to institute the requested review proceedings is final and nonappealable, §§ 314(d) and 324(e); and finally, both procedures provide for appellate review, at the Federal Circuit, only after the PTAB has issued a "final written decision" "with respect to the *patentability*" of the reviewed patents, at the conclusion of the review process, §§ 314(d), 318(a), regarding *inter partes* review; *see also id.* §§ 328(a), 329, regarding post-grant review; *id.* §141(c) (describing the appellate posture for both *inter partes* and post-grant review).

On the contrary, the two procedures have only minimal differences, focusing primarily on the more limited nature of the *inter partes* review process than its post-grant counterpart. 35 U.S.C. § 311(c). For example, a person seeking to institute *inter partes* review may only do so *after* the initial nine-month period from patent

issuance, or after the termination of post-grant review proceedings. *Id.* In contrast, one seeking to institute *post-grant* review may do so anytime within the first nine months after the patent is initially issued. *Id.* at § 321(c). Aside from these minimal differences relating to timing, it is clear that together, the *inter partes* and post-grant review procedures—codified in Chapter 31 and 32 of Title 35, respectively—almost identically, illustrate the AIA's detailed scheme for reexamination proceedings of previously issued patents.

II. STANDARDS OF REVIEW

12(b)(1) Standard of Review

Federal Rule of Civil Procedure 12(b)(1) enables a party to move for dismissal by challenging a court's jurisdiction over a subject matter. Fed. R. Civ. P 12(b)(1); *see also Coulter v. United States*, 256 F Supp. 2d 484, 486 n.3 (E.D. Va. 2003), *aff'd* 90 Fed. App'x 60 (4th Cir. 2004). A court must dismiss a case where the court finds subject matter jurisdiction lacking. *Arbaugh v. Y&H Corp.*, 546 U.S. 500, 514 (2006); *Jones v. Calvert Grp.*, Ltd., 551 F.3d 297, 301 (4th Cir. 2009) (citing *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 94 (1998)).

In deciding a motion made pursuant to Federal Rule of Civil Procedure 12(b)(1), the court must ascertain whether "plaintiff's allegations standing alone and taken as true plead jurisdiction and a meritorious cause of action." *Allianz Insurance Co. of Canada v. Cho Yang Shipping Co., Ltd.*, 131 F Supp. 2d 787, 789 (E.D. Va. 2000) (quoting *Dickey v. Greene*, 729 F.2d 957, 958 (4th Cir.1984)).

A plaintiff bears the burden of proof for establishing that federal subject matter jurisdiction is proper.

Warren v. Sessoms & Rogers, P.A., 676 F.3d 365, 371 (4th Cir. 2012) (citing U.S. *ex rel. Vuyyuru v. Jadhav*, 555 F.3d 337, 347 (4th Cir. 2009)). A defendant may assert that the complaint fails to allege facts upon which federal subject matter jurisdiction could be based. *See Kerns v. United States*, 585 F.3d 187, 192 (4th Cir. 2009) (quoting *Adams v. Bain*, 697 F.2d 1213, 1219 (4th Cir. 1982)). In this scenario, a court must assume the veracity of claims by the plaintiff. *Id.* (quoting *Bain*, 697 F.2d at 1219).

Alternatively, a defendant may assert that federal subject matter jurisdiction does not exist notwithstanding any specific allegations in the complaint. *Id.* When this occurs, a court may consider evidence outside the pleadings in order to determine whether subject matter jurisdiction exists. *Id.; Velasco v. Gov't of Indonesia*, 370 F.3d 392, 398 (4th Cir. 2004). Accordingly, the plaintiff's allegations will not receive a blanket presumption of truth, and a dispute of material fact will not prevent a court from evaluating the claims underlying jurisdiction. *Vuyyuyu*, 555 F 3d at 347.

12(b)(6) Standard of Review

Federal Rule of Civil Procedure 12(b)(6) enables a defendant to move for dismissal by challenging the sufficiency of the plaintiff's complaint. Fed. R. Civ. P 12(b)(6). A Rule 12(b)(6) motion should be granted where a plaintiff has failed to "state a plausible claim for relief" under Rule 8(a). *Walters v. McMahen*, 684 F.3d 435, 439 (4th Cir. 2012) (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 679 (2009)) (internal quotation marks omitted). To be facially plausible, a claim must contain "factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Clatterbuck v. City of Char-*

lottesville, 708 F.3d 549, 554 (4th Cir. 2013) (quoting *Iqbal*, 556 U.S. at 678) (internal quotation marks omitted).

In order to survive a Rule 12(b)(6) motion, a complaint must contain sufficient factual allegations, taken as true, "to raise a right to relief above the speculative level" and "nudg[e] [the] claims across the line from conceivable to plausible." *Vitol, S.A. v. Primerose Shipping Co.*, 708 F.3d 527, 543 (4th Cir. 2013) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555, 570 (2007)) (internal quotation marks omitted). The requirement for plausibility does not mandate a showing of probability but merely that there is more than a mere possibility of the defendant's unlawful acts. *Francis v. Giacomelli*, 588 F.3d 186, 193 (4th Cir. 2009) (quoting *Iqbal*, 556 U.S. at 678). As a result, a complaint must contain more than "naked assertions" and "unadorned conclusory allegations" and requires some "factual enhancement" in order to be sufficient. *Id.* (citing *Iqbal*, 556 U.S. at 678 and *Twombly*, 550 U.S. at 557).

In considering a Rule 12(b)(6) motion, a court must give all reasonable inferences to the plaintiff and accept all factual allegations as true. *E.I. du Pont de Nemours & Co. v. Kolon Indus., Inc.*, 637 F.3d 435, 440 (4th Cir. 2011) (citations omitted). A court should also consider documents beyond the complaint including any "documents incorporated into the complaint by reference." *Matrix Capital Mgmt. Fund, LP v. BearingPoint, Inc.*, 576 F.3d 172, 176 (4th Cir. 2009) (quoting *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 322 (2007)).

A court is not bound to accept as true any bare legal conclusions, whether contained in the complaint or the incorporated documents. *Burnette v. Fahey*, 687

F.3d 171, 180 (4th Cir. 2012) (citing *Aziz v. Alcolac, Inc.*, 658 F.3d 388, 391 (4th Cir. 2011)). The court's 12(b)(6) review involves separating factual allegations from legal conclusions, and a court must grant a 12(b)(6) motion where a complaint fails to provide sufficient non-conclusory factual allegations to allow the court to draw the reasonable inference of the defendant's liability. *See Burnette*, 698 F.3d at 180; *Giacomelli*, 588 F.3d at 196-97 (citing *Iqbal*, 556 U.S. at 678-79 and *Gooden v. Howard Cnty., Md.*, 954 F.2d 960, 969-70 (4th Cir. 1992) (en banc)).

III. ANALYSIS

The Court GRANTS Defendant's Motion to Dismiss for Lack of Subject-Matter Jurisdiction pursuant to 12(b)(1) and DENIES Defendant's Motion to Dismiss Count IV of Plaintiff's Complaint pursuant to 12(b)(6), as moot.

1. This Court Does Not Have Jurisdiction Under the APA to Review PTAB Decisions of "Whether to Institute" Review Proceedings.

This Court holds, in agreement with its prior ruling and as affirmed by the Federal Circuit, that it lacks jurisdiction to review the PTAB's decision to terminate *inter partes* review of the '605 and '249 patents. *See Versata Dev. Corp. v. Rea*, 959 F. Supp. 2d 912 (E.D. Va. 2013) (Lee, J.), *aff'd*, 793 F.3d 1352 (Fed. Cir. 2015).

Plaintiff brings its Complaint and Opposition to Defendant's Motion to Dismiss for Lack of Subject-Matter Jurisdiction by invoking the APA. *See* Doc. 15, Pl. Opp., at 10; *see also* 5 U.S.C. §§ 702 and 704 (judicial review for "final agency action for which there is no other adequate remedy in a court"). Citing § 704 the APA, Plaintiff correctly notes that the APA evinces the

"strong presumption" that Congress intended judicial review of final agency actions. *See Dominion Dealer Solutions, LLC v. Lee*, 2014 WL 1572061, *2, *3 (E.D. Va. Apr. 18, 2014) (citing *Pregis Corp. v. Kappos*, 700 F.3d 1348, 1358 (Fed. Cir. 2012)). Plaintiff further notes that Congress rarely intends to prevent courts from enforcing its directives to federal agencies; therefore, to rebut the presumption of judicial review, a statute's language or structure must demonstrate that Congress wanted an agency to police its own conduct. Pl. Opp. at 11 (citing *Mach Mining, LLC v. EEOC*, 135 S. Ct. 1645, 1651 (2015)).

Plaintiff argues that §704's illustrated cause of action gives plaintiffs who have no other remedy an action to challenge an agency's final action. However, Plaintiff misses two key limitations to this statute. First, the APA is not a jurisdiction-conferring statute. *GTNX, Inc. v. INTRA, Inc.*, 789 F.3d 1309, 1313 (Fed. Cir. 2015); *see also Lee v. Citizenship and Immigration Services*, 592 F.3d 612, 619 (4th Cir. 2010). Instead, "the jurisdictional source for an action under the APA is the 'federal question' statute, which confers jurisdiction on federal courts to review agency action." *Dominion*, 2014 WL 1572061 at *2. Second, and most importantly, any general grant of judicial review the APA sets forth is subject to specific statutory limitations that "have the potential to effectively strip the federal courts of jurisdiction and provide valid grounds for a Rule 12(b)(1) motion." *Id.* (quoting *Wade v. Blue*, 36 F.3d 407, 411 n. 2 (4th Cir. 2004); *Pregis Corp. v. Kappos*, 700 F.3d 1348, 1356 (Fed. Cir. 2012) (noting that the APA contains various "limitations on the grant of judicial review").

The Supreme Court noted in *Block v. Community Nutrition Institute*, that the presumption of judicial re-

viewability is rebutted "whenever the congressional intent to preclude judicial review is 'fairly discernible' in the statutory scheme." 467 U.S. 340, 345 (1984). In other words, congressional intent to preclude judicial review of administrative action can be overcome by the specific language of a statute, legislative history, or inferences of congressional intent drawn from the statutory scheme as a whole. *See Dominion*, 2014 WL 1572061 at *3. Therefore, while it is true that §704 of the APA supports the "strong presumption of judicial review" from agency actions, the Supreme Court has made it clear that Congressional intent otherwise could easily rebut such a presumption.

In addition to clear case law stating that agency challenges under the APA can be limited by a statute, the APA *itself* notes, in its very first sentence, that its provisions apply *"except to the extent that ... (1) [a] statute[] preclude[s] judicial review;* or (2) agency action is committed to agency discretion by law." 5 U.S.C § 701(a) (2011). The Supreme Court, reviewing this section of the APA acknowledged that a separate statute could preclude judicial review in spite of APA's provisions supporting the presumption of judicial review. *Block*, 467 U.S. at 345 (noting that under §702 "[t]he APA confers a general cause of action upon persons "adversely affected or aggrieved by agency action" but under 701(a)(1) "withdraws that cause of action to the extent the relevant statute preclude[s] judicial review") (citations omitted).

The Supreme Court then further described how a separate statute could preclude judicial review, stating:

> Whether and to what extent a particular statute precludes judicial review is determined not only from its express language but also from

> the structure of the statutory scheme, its objectives, its legislative history, and the nature of the administrative action involved.

Id. at 345. In other words, where congressional intent is "'fairly discernable,' APA review is not available." *Id.* at 351.

Here, § 314 of the AIA—which governs the institution of *inter partes* review—makes Congress' intent to preclude judicial review of PTAB decisions on whether to institute review proceedings, more than fairly discernible. *See* 35 U.S.C. § 314 (2011). Applying *Block*, this Court uses two primary ways to ascertain Congress' intent regarding judicial review of PTAB determinations of whether to institute reexamination proceedings, in light of the APA. First, § 314's express language mandates finality of all PTAB determinations of whether to institute *inter partes* review by precluding appeals from such decisions. *See* § 314(d). Second, the AIA's intricate scheme—which details precisely when judicial review is allowed and in what manner it should be obtained—also prohibits judicial review of PTAB decisions of whether to institute *inter partes* review proceedings. *See Versata*, 959 F. Supp. 2d 912, *aff'd*, 793 F.3d 1352 (Fed. Cir. 2015); *GTNX*, 789 F.3d at 1309. When combined, both factors make it undoubtedly clear that Congress intended to rebut the presumption of judicial reviewability the APA assigns and through the AIA, preclude district courts from exercising jurisdiction over APA challenges on the PTAB's determination of whether to institute *inter partes* review.

a. *The Express Language of § 314(d) of the AIA Clearly Expresses Congress's Intent to Preclude Judicial Review and Rebut the APA's Presumption Of Reviewability.*

Section 314(d), titled "No Appeal," states: "[t]he determination by the Director[1] whether to institute an *inter partes* review under this section shall be final and nonappealable." 35 U.S.C. § 314(d) (2011). As this Court has already established, "[t]hat wording is quite clear." *Dominion*, 2014 WL 1572061 at *3. The statute, by mandating in plain language that the PTAB's determinations are "final and nonappealable, unambiguously precludes appeals or reviews of the PTAB's decision of whether to institute *inter partes* review.

In *Versata Dev. Corp. v. Rea*, similar to the case at hand, a plaintiff brought an action requesting this Court to review, under the APA, the PTAB's decision of whether to institute post-grant review.[2] 959 F

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[1] It is uncontested that for both § 314(d) and § 324(e) the Director of the USPTO has delegated her authority to the PTAB, thereby placing the authority to determine whether to institute review proceedings solely in the hands of the PTAB. Thus, it was the *PTAB* in this case who decided the institution and termination of the *inter partes* review at issue.

[2] Given the AIA's simultaneously created and almost identical processes for *inter partes* review §314 and post-grant review §324, the PTAB's decision on whether to institute post-grant review and whether to institute *inter partes* review invoke the same questions of law. *See GTNX*, 789 F.3d at 1311 (using *St. Jude's* statutory interpretation of 35 U.S.C. § 314(d), regarding *inter partes* review, to interpret 35 U.S.C. § 324(e), regarding post grant review ("[i]n *St. Jude* ... we dismissed an appeal from a non-institution decision under chapter 31 of Title 35, which establishes a regime for "*inter partes review*" of issued patents *that is materially the same as chapter 32 in the particular jurisdictional respects relevant here.*")); *see also GEA Process Eng'g, Inc. v. Steuben Foods, Inc.*,

Supp. 2d 912 (E.D. Va. 2013) *aff'd* sub nom. *Versata Dev. Grp., Inc. v. Lee*, 793 F.3d 1352 (Fed. Cir. 2015). Specifically, in *Versata's* underlying action, the PTAB decided to institute reexamination proceedings and the plaintiff, dissatisfied, sought review of that decision in this Court. *Id.* Citing the *language* of the statute itself—language identical to the language of §314(d)[3]—and finding that "the ordinary reading of the statute prevails," this Court concluded "the express language of the statute indicates Congress's intent to preclude judicial review of a PTAB decision to institute post-grant proceedings." *Id.* at 919, 921. Accordingly, the Court held that it "lack[ed] subject matter jurisdiction over Plaintiff's claim ... because the AIA expressly precluded [it]." *Id.* at 918-19.

Like *Versata*, this Court again reads the phrase "final and nonappealable" in the ordinary sense as precluding Plaintiff from appealing or having review of the PTAB's decisicion of whether to institute *inter partes* review. That the plaintiffs in *Versata* sought review of a PTAB decision to *institute* review proceedings and Plaintiff here seeks review of just the opposite—the PTAB's decision to *not* conduct *inter partes* review of Plaintiff's patents—is of no matter. Both cases seek to appeal the PTAB's decision of whether reexamination proceedings are merited. Thus, under this plain reading this Court again, lacks jurisdiction to review the

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618 F. App'x 667, 669 (Fed. Cir. 2015) ("Although this case involves *inter partes* review under chapter 31, rather than post-grant review under chapter 32, the analysis is the same.").

[3] 35 U.S.C. §314(d) is identical to §324(e), with both provisions stating that "[t]he determination by the Director whether to institute an *inter partes* review (or, "a post grant review") under this section shall be final and nonappealable."

PTAB's decision. This interpretation of the AIA's preclusion could not be clearer.

b. The Detailed Scheme of the AIA Also Demonstrates Congress's Intent to Preclude Judicial Review of PTAB Determinations of Whether to Institute Reexamination Proceedings.

Even if the AIA's express language was not so clear, Congress's creation of the AIA's intricate and detailed scheme also evinces its intent to preclude judicial review of PTAB decisions of whether to institute *inter partes* review proceedings. The detailed scheme of Title 35, encompassing both Chapter 31 and 32, provides a procedure for both types of reexamination procedures (*inter partes* review under Chapter 31 and post-grant review under Chapter 32). Each chapter outlines how plaintiffs can petition for reexamination either through *inter partes* or post-grant review(§ 312 and § 322), what responses can be filed in response to the petitions, (§ 313 and § 323), the timelines in which responses are required (§ 313 and § 323), Congress's intent regarding other proceedings or actions (§ 315 and § 325), conduct of post-grant review (§ 326), termination of the review in the event of settlement (§ 317 and § 327), PTAB actions related to the final decision (§ 318 and § 328), and the right to appeal post-grant review(§ 329)). *See generally* 35 U.S.C., Chapter 31 and 32; *see also Versata*, 959 F Supp. 2d at 919-20. This meticulous attention to the procedural details shows that Congress was deliberate in its creation of the procedural posture of AIA as a whole, encompassing both the *inter partes* and post-grant proceedings.

More importantly, however, §314 *itself* is intricate. Focusing on the *inter partes* review specifically, § 314

is, consistent with its post-grant counterpart, equally thorough. Subsection (a) places the decision of whether to institute an *inter partes* review at the sole discretion of the Director, but describes the threshold requirements that must be met before the Director can decide to institute *inter partes* review. *See* 35 U.S.C § 314 (2011). Subsections (b) and (c) describe the timing and notice requirements of the decision and most importantly, subsection (d) discusses the appealability of such decision. *Id.*

This attention to detail at every crucial level indicates that when Congress enacted the AIA it had a very specific procedural process in mind. With a scheme accounting for even the most minute details, Congress still elected to provide one sole avenue for judicial review of the PTAB's actions during the entire *inter partes* proceeding—an appeal to the Federal Circuit from the PTAB's ultimate patentability determination. *See* 35 U.S.C. §§ 319 and 141(c) (2011) (authorizing appeals only from a "final written decision of the [Board] under section 318(a)); 35 U.S.C. § 318(a) (2011) (referring to "a final written decision *with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d))*" (emphasis added); *see also GEA Process Eng'g, Inc.* v. *Steuben Foods, Inc.*, 2015 WL 4076487, at *1 (Fed. Cir. June 23, 2015).

Section 318(a)'s specification that the possibility of appeal hinges on a "final written decision" determining the "overall patentability" of the patents at issue can in no way be deemed unintentional. *See* 35 U.S.C. § 318(a) (2011). Instead, it presents an "undisputed indication that Congress passed the AIA with the goal of efficiency and streamlining ... patent reexamination[s]," and to accomplish this, deliberately foreclosed the possibility

of judicial review from the PTAB's reexamination proceedings. *Verata*, 959 F Supp. 2d at 923; *see also Dominion*, 2014 WL 1572061 at *6 (stating that "Congress intended the AIA and the *[inter partes* review] process to decrease the volume of patent litigation in the federal courts and streamline the patent administration process."). Finally, the fact that the 2011 restructuring of the AIA was Congress's *third* attempt at refining the process whereby petitioners request *inter partes* and post review under the AIA exclusively, shows an attempt to create streamlined process that should not be easily disregarded. *See* 35 U.S.C. § 302 (Congress' creation of an administrative alternative to federal court litigation in 1980 through *ex parte* review); 35 U.S.C. § 306 and H.R. CONF. RPT. 106-464, at 133 (Nov. 9, 1999) (Congress' 1999 attempt to reduce federal litigation through a creation of *inter partes* review); H.R. RPT. 112-98, at 45 (2011) (noting the creation of the AIA's PUB. L. 112-29, 125 Stat. 284 (Sept. 16, 2011) because Congress' initial creation of the "reexamination" process, over 30 years ago, had not served as the efficient alternative to federal court litigation due to its limitations).

The *Dominion* court further showed how § 314(d)'s preclusion of judicial review to petitioners seeking to appeal the PTAB's decision of whether to institute proceedings, aligns with the goals of the AIA to create a streamlined process that did not burden district courts. 2014 WL 1572061 at *6. *Dominion* noted, "the sheer number of reviews sought by disappointed petitioners might well undermine the Congressional purpose for its modifications to the review process. It is entirely logical, then, for Congress *to reserve the right of appeal for those petitioners who were able to obtain [inter partes review]"* and receive a final decision on patentability.

Id. This language, in conjunction with Congress' undoubtedly intentional scheme, shows Congress' intent to preclude judicial review of PTAB decision to institute *inter partes* review, more than fairly discernable. *See Block*, 467 U.S. at 351 ("[The] presumption [favoring judicial review] does not control in cases such as this one ... since the congressional intent to preclude judicial review is "fairly discernible" in the detail of the legislative scheme.").

Nevertheless, Plaintiff does not acknowledge the strength of either 314(d)'s language or scheme as a clear rebuttal of the presumption of reviewability. Instead, Plaintiff articulates the rebuttable nature of the presumption of reviewability, then immediately begins to apply the three-part test outlined in *Sackett v. E.P.A* to this case. 132 S. Ct. 1367 (2012); *see also* Pl. Opp., at 10-11. However, as Plaintiff even notes itself, *Sackett's* test was only applied because "[t]he Court concluded that *no statute clearly precluded judicial review* and thus a strong presumption of reviewability under §704 [of the APA] applied." Pl. Opp., at 12 (emphasis added). Of course, the glaring distinction between *Sackett* and the case at hand is that here, there *is* statute—§314(d)—whose language and structure evince Congress' intent to preclude judicial review from specific PTAB decisions. Thus, the strong presumption of reviewability under the APA is rebutted. Because of this, there is no need for this Court to apply the *Sackett* three-part test; instead, this Court continues to use the language and structure of §314(d) to ascertain Congress' intent. Having looked at both and determined that the AIA clearly rebuts the presumption of reviewability under the APA, this Court reaffirms the *Versata* holding that "the AIA evinces clear congressional intent to preclude actions that seek judicial intervention

under the APA for reexamination proceedings." *Versata*, 959 F. Supp. 2d. at 919. Accordingly, this Court lacks jurisdiction over Plaintiff's appeal from the PTAB's decision to terminate *inter partes* review.

2. The PTAB's Decision to Terminate a Previously-Instituted *Inter Partes* Proceeding Constitutes a Decision of "Whether to Institute" *Inter Partes* Review

The PTAB's decision to terminate *inter partes* review constitutes a determination of "whether to institute" *inter partes* review. Through its recent cases, the Federal Circuit has, by interpreting the statutory requirement of finality and nonappealiblity of PTAB determinations of whether to institute, demonstrated that PTAB decisions to *terminate* review proceedings are equivalent to PTAB decisions of whether to *institute* review proceedings.

First, in *GTNX*, the PTAB decided to institute post-grant review proceedings; however, after realizing that the decision was erroneous given statutory limitations, the PTAB terminated the proceeding. 789 F.3d at 1311. More precisely, in *GTNX*, approximately four months after having instituted the review proceeding of the plaintiff's patent, the PTAB realized that the statute, which detailed when a petitioner could have its patents reexamined, when applied to the plaintiffs, actually *precluded* the plaintiff from having its patent reexamined. *See id.* Upon realizing its error, the PTAB quickly terminated the review proceedings and vacated its August 2014 initial decision to institute the review proceedings. *Id.* at 1312 ("Having reconsidered whether to institute the proceeding here and determined not to do so based on § 325(a)(1), the Board simultaneously "vacated" the institution decisions and re-

quired termination of the proceedings.") (citing *GTNX*, 2014 WL 7723800, at *1, *3). The PTAB's decision to terminate the previously-instituted review proceedings never addressed the issues of patentability. *Id.*

The Federal Circuit evaluated the PTAB's decision to terminate proceedings and addressed the issue of whether §324(e)'s language—mandating PTAB determinations of "whether to institute" review proceedings be final and nonappealable—encompass the PTAB's decision to *terminate* proceedings as well. *Id.* at 1311-1312. Contrasting the PTAB's decision to terminate an instituted review proceeding with a final decision determining patentability, the *GTNX* court concluded that, for purposes of the AIA, the PTAB's decision to *terminate* its already-instituted proceedings *constituted a determination of "whether to institute." See id.* ("Confirming that the decision at issue is not a § 328(a) decision—the only appealable decision within the statutory regime—is that the fair characterization of the decision within the regime is as a decision whether to institute proceedings.").

Citing *St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.*, the *GTNX* court noted a distinction between a PTAB's final decision after instituting a review procedure, which is appealable, and the preliminary decision the PTAB makes to determine whether a plaintiff's petition merits review, a decision that is not appealable. *See id.* The court stated that there is a "structural contrast between a 'determination ... whether to institute' a proceeding, which is 'final and nonappealable,' 35 U.S.C. § 314(d), and the "final written decision" determining patentability, § 318(a) ... ." *Id.* at 1311 (citing *St. Jude*, 749 F.3d 1373, 1375-76 (Fed. Cir. 2015)). The "textually clear and common-sense distinction" between the two—a final Board decision that

reaches the patentability merits and an earlier decision whether to institute—limits appeals of the PTAB's decisions to those decisions "on the merits of the ... review, *after* [the PTAB] *'conducts the proceeding* that [it] has instituted." *Id.* at 1312.

Applying *St. Jude* to the facts at issue in its case, the *GTNX* court noted that similarly, the PTAB had, after already instituting review proceedings, "reconsidered" whether it should have initially instituted review proceedings and "determined not to do so." *Id.* at 1312. Addressing the PTAB's "reconsideration" specifically, the *GTNX* court stated *"[i]t is strained to describe this as anything but a 'determination ... whether to institute' proceedings."* *Id.* It further noted that the statutory language making all PTAB determinations of whether to institute review proceedings "final and nonappealable" *"is not limited to an initial determination to the exclusion of a determination on reconsideration."* *Id.* Concluding, the *GTNX* court stated that the statutory declaration that a decision is final and nonappealable "thus reinforce[es] the absence of appeal jurisdiction in this court," given that a PTAB's decision to simply reconsider its earlier decision to institute proceedings, and then vacate that decision, did not constitute a final and appealable decision. *Id.*

Even more on point, in *GEA*, the Federal Circuit encountered a case with facts nearly identical to the case at hand. 2015 WL 4076487, at *1. There, the PTAB decided to institute *inter partes* review—the same type of review Plaintiffs have requested in this case—on various patents. *Id.* Later, realizing that the petitioner "did not identify all real-parties-in-interest," as required by the AIA, the PTAB terminated the review proceedings it had previously instituted. *Id.* When the petitioner appealed this decision to the Fed-

eral Circuit, the court, relying on *GTNX* as instructive, concluded that *it lacked jurisdiction over the petitioner's appeal for review of the PTAB's decision. Id.* Referencing §314(d)'s "final and nonappealble" language, the court held that the statute precluded review of such a case because the PTAB was well within its authority under § 314(d) to make such a determination. *Id.* at *2. The court explained that the PTAB, having realized that its *initial* decision to institute *inter partes* review was erroneous, simply corrected their initial decision. *Id.* (stating that "administrative agencies possess *inherent authority to reconsider their decisions*, subject to certain limitations, *regardless of whether they possess explicit statutory authority to do so*") (citations omitted) (emphasis added).

The *GEA* court went on to note that the plaintiffs, who argued that PTAB determinations of whether to institute should be "final and nonappealable," and therefore the PTAB's later decision to terminate was erroneous, had "not made *any* showing that would clearly deprive the [PTAB] of that default authority." *Id.* The court held, the termination decision was a decision on "whether to institute" review proceedings under the AIA and was thus, under the sole discretion of the PTAB. *Id.* In other words, the PTAB' s decision to terminate *inter partes* review is not appealable because the AIA specifically forbids appeals from PTAB determinations of whether to institute review proceedings; the termination decision falls under that category. *Id.* at *2. As the court further explained, "[t]hat the Board *initially* instituted proceedings here [and subsequently terminated the proceedings] is of no moment." *Id.* at *2.

In this case, like *GTNX* and *GEA*, the decision to terminate the *inter partes* review proceeding was made

entirely by the PTAB—the same Board that initially decided to institute review proceedings. (Compl., Ex. A). Also like *GTNX* and *GEA*, the PTAB's decision to terminate proceedings stemmed from its realization that its previous institution of review proceedings was erroneous, according to the threshold requirements of the AIA describes. *See* Compl., Ex. A, PTAB's Decision on Patent Owner's Motion to Terminate at 9 ("After considering all of the evidence of record and the parties' arguments, we are persuaded that Medtronic is acting as a proxy for Cardiocom, and that Cardiocom should have been named in the Petitions as a real party-in-interest.").

Similar to *GTNX* and *GEA*, the PTAB in this case, after conducting a full hearing, and realizing its error—that Plaintiff had not listed Cardiocom as an RPI, as required by the AIA—corrected its error by terminating the earlier proceeding. *See id.* at 18 ("A petition for *inter partes* review may be considered "only if" it meets certain statutory requirements, including identification of 'all' real parties-in-interest. § 35 U.S.C. 312(a)(2). *Medtronic's Petitions, therefore, are incomplete and cannot be considered.*") (emphasis added). Thus, this Court, looking to *GTNX* and *GEA*, concludes that, as the sole entity tasked with the authority of evaluating petitions for reexamination procedures, the PTAB's actions to *later modify its own decision* are merely an indication of it exercising its authority to determine what petitions should be given review or not. Naturally, such a decision is a part of the PTAB's "inherent authority to reconsider [its] decisions ... regardless of whether [it] possess[es] explicit statutory authority to do so." *GTNX*, 789 F.3d at 1313 (citations omitted).

Further, the PTAB's termination never addressed the issues of patentability and thus, cannot be inter-

preted as a final decision. Rather, the "clear and common-sense distinction" between the PTAB's evaluation of whether a reexamination proceeding *should be instituted* and the decision *determining patentability at the end of such an instituted review*, also applies in this case. *See GTNX*, 789 F.3d at 1311 (citing *St. Jude*, 749 F.3d at 1375-76). First, given the relatively short time period of the instituted *inter partes* review, and the PTAB's decision to terminate the review as soon as it concluded that Plaintiff had not complied with the threshold requirement of naming all RPIs in its petition, there can be no doubt the PTAB never reached the merits of patentability. Second, and most indicative of the PTAB's action, is the PTAB's *own* statement addressing its termination of the *inter partes* review, the PTAB stated that, given Plaintiff's omission of Cardiocom as a RPI, it "vacate[s] the Decisions on Institution and *do not issue final written decisions under § 35 U.S.C. 318(a) with respect to the patentability of the challenged claims.*" *See* Compl., Ex. A, PTAB's Decision on Patent Owner's Motion to Terminate at 21 (ordering that the instituted *inter partes* review proceedings are "terminated") (emphasis added). The Board's own admission that its decision terminating inter partes review did not constitute a decision on patentability demonstrates that the decision was not one the AIA allows petitioners to appeal. *See* 35 U.S.C.A. § 318 ("If an *inter partes* review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision *with respect to the patentability* of any patent claim challenged by the petitioner and any new claim added under section 316(d).") (emphasis added).

Moreover, that the determination at issue here reflects an inquiry the PTAB is required to assess *before*

it decides to institute review proceedings. As the applicable precedent demonstrates, because it did not address the issue of patentability, it was not the type of decision Congress granted parties a right to appeal. Instead, the decision here, that Plaintiff did not include the required RPI in its petition for review and therefore cannot have *inter partes* review—mirrors all of the other preliminary decisions the PTAB must make when deciding if a plaintiff's petition actually merits review. Such decisions, as clearly articulated by the statutory scheme and plain language of the statutes, are at the sole discretion to the PTAB. In light of this, this Court concludes that the PTAB's decision to terminate *inter partes* review constituted a determination of whether to institute review proceedings. As such, the decision is final and nonappealable and this Court does not have jurisdiction to review it.

3. Plaintiff's Lack of an Alternative Remedy for Article III Review of the PTAB's Decision Does Not Grant This Court Jurisdiction to Review Plaintiff's Appeal.

This Court does not have jurisdiction to review Plaintiff's claim, irrespective of Plaintiff's lack of an alternate remedy. This Court and the Federal Circuit have affirmed this conclusion in *Versata*, which also held that the AIA precludes review of a PTAB decision of whether to institute reexamination proceedings. *See Versata*, 793 F.3d at 1354 ("[t]he district court was correct as a matter of law when it dismissed Versata's suit seeking to set aside the PTAB's decision to institute review of the '350 patent.").

Nevertheless, Plaintiff maintains that *Versata* is inapplicable to the case at hand because the petitioners in *Versata* had an avenue for appeal. Specifically,

Plaintiff alleges that *Versata* is distinct from the case at hand, because in *Versata*, the parties appealed the PTAB's decision to *grant inter partes* review, whereas here, the parties seek to appeal a *denial* of *inter partes* review. This distinction, Plaintiff contends, meant that the plaintiffs in *Versata* would have to endure the review proceedings but at the conclusion of the proceedings would have a chance to appeal the issue of patentability to the Federal Circuit, whereas here, Plaintiff does not. In light of this, Plaintiff continues, this Court's refusal to review Plaintiff's appeal will result in Plaintiff's inability to have his claim heard at all, resulting in an unjust outcome.

However, Plaintiff's contentions lack merit for two reasons. First, Plaintiff is not completely foreclosed being heard regarding the '605 and '249 patents because, as Plaintiff noted itself, Plaintiff has a case pending in both the Northern District of California and Federal Circuit. Mem. in Supp. of Def. Mtn. to Dismiss at 9-10. Specifically the California case will allow Plaintiff to litigate the patent rights concerning both the '605 and '249 patents. *See id.* To clarify, this Court specifies that it does not have jurisdiction to review Plaintiff's appeal of the PTAB's decision to terminate *inter partes* proceedings *only*. Therefore, to the extent that Plaintiff is barred from Article III review of anything, it is the sole issue of the PTAB's decision to terminate the instituted *inter partes* review—nothing more. Other claims that Plaintiff has pending in other courts are not currently at issue before this Court.

Second, even if Plaintiff is correct that this Court's refusal to review its appeal equates to Plaintiff being foreclosed from any Article III review, this is not an erroneous result. Article III review in this circumstance is not mandatory. As this case illustrates, there

are of course, instances where Congress has precluded APA review *even when there is no alternative forum for Article III review.* Further, looking at congressional intent, courts have determined that sometimes certain plaintiffs were simply not meant to have judicial review in a particular circumstance. For example, in *Dominion* the plaintiffs appealed a PTAB decision to not institute review proceedings. The court's refusal to review the appeal left plaintiffs with no other Article III review available to appeal the PTAB decision. 2014 WL 1572061 at *1. Nevertheless, the court declined to review the appeal. *Id.* Similarly, in *Exela Pharma Sciences, LLC v. Lee*, the Federal Circuit affirmed dismissal of a plaintiff's claims on the ground that the PTO revival ruling that plaintiff sought to appeal, simply "was not subject to third party collateral challenge[s]" and therefore, "precluded review, regardless of whether [plaintiff's] claims were time-barred [or not]" 781 F.3d 1349, 1349 (Fed. Cir. 2015).

Most notably, in *St. Jude*, the Court of Appeals denied judicial review to a Plaintiff who had previously sought to institute *inter partes* review but the PTAB had decided not to institute *inter partes* proceedings. *St. Jude*, 749 F.3d 1373. While refusing to review the plaintiff's case, the Court of Appeals cited §314(d), noting "the statute goes beyond merely omitting, and underscoring through its structure the omission of, a right to appeal the non-institution decision. It contains a broadly worded bar on appeal." *Id.* at 1376. These cases demonstrate that Plaintiff is not *required* to have an Article III court review its appeal in every instance,

especially not when Congress has clearly intended the contrary result—like the case at hand.[4]

Finally, Plaintiff continually reiterates that, because it has a final agency decision without an avenue for review, under §704 of the APA, it is entitled to review. However, as noted before, §701 of the very same Chapter Plaintiff relies on, explicitly carves out an exception to not only §704, but every single provision of the APA's entire Chapter 7. *See* 5 U.S.C. §701(a)(1). It notes, "chapter [seven] applies, according to the provisions thereof, *except to the extent that*--(1) *statutes preclude judicial review.*" *Id.*

4. The Fact That Plaintiff Shifts Its Challenge to the Standard the PTAB Uses Does Not Grant This Court Jurisdiction to Review Plaintiff's Appeal

Plaintiff's effort to challenge the standard the PTAB used in the termination decision is not sufficient to vest this Court with jurisdiction. As Defendant aptly points out, this very issue was considered and rejected in *Dominion*. *See generally Dominion*, 2014 WL 1572061 at *3. The *Dominion* court stated "[s]ection 314(d) applies to the *entirety* of the IPR *(inter partes)* decision." *Id.* This clearly encompasses the standard the PTAB used in determining whether a This language is certainly inclusive of the PTAB's application of the very threshold requirements Congress itself prescribed for every petitioner seeking *inter partes* re-

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[4] Defendants also appropriately point out that it is not reasonable to assume that Congress intended §314(d) to only preclude a direct appeal to the Federal Circuit, but allowed a separate APA action to be litigated in federal district court, which, if appealed, would be appealed to the Federal Circuit. *See* Mem. in Supp. of Def. Mtn. to Dismiss, at 20 n. 10.

view. In other words, the requirement that every petition requesting *inter partes* review include all RPI was created by Congress, understanding that the entity charged with evaluating such petitions would have to decline those petitions that did not conform to the requirements. Therefore, Plaintiffs challenge to the standard the PTAB applied is essentially, challenging the basis it used in determining whether to conduct *inter partes* proceedings or not. Put differently, Plaintiff's challenge to the standard the PTAB applied simply uses different language to challenge the very thing § 314(d) precludes—the PTAB's determination of whether to institute *inter partes* review and therefore, is precluded by § 314(d).

Alternatively, Plaintiff contests the PTAB's determination that Cardiocom, its subsidiary, was a RPI that should have been included on Medtronic's petition. To this, the Court notes that this determination—like the PTAB' s use of the § 314's standard—is precisely the type of component that encompasses the PTAB's decision whether to institute *inter partes* proceedings. As such, that decision, made after the PTAB was fully briefed on the issue—is also final and nonappealable.

Plaintiff also states that Congress, when creating the AIA, never envisioned a petitioner being denied the opportunity to engage in *inter partes* review simply due to a technicality. However, Plaintiff is objectively mistaken. The mere fact that Congress created threshold requirements for *every inter partes* proceeding shows that it understood that some petitioners would be denied review, when they did not meet the threshold requirements. Further, given the obvious likelihood of denials based on such technicalities, and the AIA's absence of any exception for these petitioners, allowing them to modify or appeal such a rejection, it is clear

Congress did not intend for such determinations to go beyond the PTAB's decision.

V. CONCLUSION

In light of the foregoing, it is evident that this Court lacks jurisdiction to consider Plaintiff's claim. Accordingly, **IT IS HEREBY ORDERED** that Motion to Dismiss for Lack of Subject-Matter Jurisdiction. (Doc. 11) is **GRANTED** and given this Court's dismissal of Plaintiff's Complaint, Defendant's Motion to Dismiss Count IV for Failure to State a Claim (Doc. 12) is **DENIED as moot.**

IT IS SO ORDERED.

ENTERED this 21st day of January, 2016.

Alexandria, Virginia

1/21/2016

/s/

Gerald Bruce Lee
United States District Judge

FEB 2 3 2016

No. 15-446

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF AMICUS CURIAE PAUL R. MICHEL IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES ii

INTEREST OF THE AMICUS CURIAE 1

SUMMARY OF THE ARGUMENT 1

ARGUMENT 2

I. PATENT CLAIMS THAT DO NOT PARTICULARLY POINT OUT AND DISTINCTLY CLAIM THE INVENTION SHOULD BE REJECTED, NOT INTERPRETED BROADLY. 2

II. THE BRI STANDARD CREATES PROBLEMS IN PRACTICE THAT ARE NOT APPARENT FROM ITS THEORY 8

CONCLUSION 10

TABLE OF AUTHORITIES

Page(s)

CASES

3M Innovative Props. Co. v. Tredegar Corp.,
725 F.3d 1315 (Fed. Cir. 2013) 7

Microsoft Corp. v. Proxyconn, Inc.,
789 F.3d 1292 (Fed. Cir. 2015)..... 7

Nautilus Inc. v. Biosig Instruments, Inc.,
__ U.S. __, 134 S. Ct. 2120 (2014)..... 3-4

Phillips v. AWH Corp.,
415 F. 3d 1303 (Fed. Cir. 2005) (*en banc*)..... 5, 7

PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC, __ F.3d __,
2016 WL 692369 (Fed. Cir. Feb. 22, 2016) 8

In re Stoller,
Dkt. 2014-1271 (Fed. Cir. Jan. 15, 2016) 8

Trivascular, Inc. v. Samuels,
__ F.3d __, 2015 WL 463539 (Fed. Cir.
Feb. 5, 2016)..... 7

In re *Zletz*,
893 F.2d 319 (Fed. Cir. 1989)..... 7

STATUTES

37 C.F.R § 1.75(d)(1) 4

35 U.S.C. §112, para. 2.....2

35 U.S.C. §112(b).....2

OTHER AUTHORITIES

79 Patent, Trademark & Copyright J. 101
(Nov. 27, 2009) 2

INTEREST OF THE AMICUS CURIAE[1]

Amicus Curiae Paul R. Michel is a retired Chief Judge of the United States Court of Appeals for the Federal Circuit, the reviewing court for essentially all patent rulings. Judge Michel has a strong interest in offering neutral, impartial advice to the Court on the Court's interpretation of patent claims so as to advance innovation, here particularly pointing out and distinctly claiming subject matter regarded as the invention, so as to avoid ambiguities. On the basis of his service on the court for over 22 years, hearing thousands of patent appeals, he may have insights of use to the Court.

SUMMARY OF THE ARGUMENT

Much of the problem with the BRI standard comes from a failure to apply it properly, and thus to unduly separate it from the *Phillips* standard for claim construction. In true application, both standards should require (a) viewing claim meaning from the perspective of a person of ordinary skill in the relevant art, and (b) using the entire patent specification to understand the claims, rather than reading the claims in isolation. If this Court emphasizes the importance of both these points—in any claim construction

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[1] No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae* or his counsel made a monetary contribution to its preparation or submission. *Amicus* understands that Petitioners have consented to the filing of amicus briefs in this appeal, and amicus is awaiting a response from Respondent on consent, and will move for leave forthwith if such consent is not received.

context—it will do much to eliminate the problems of the BRI standard.

ARGUMENT

I. PATENT CLAIMS THAT DO NOT PARTICULARLY POINT OUT AND DISTINCTLY CLAIM THE INVENTION SHOULD BE REJECTED, NOT INTERPRETED BROADLY.

Congress expressly addressed patent claim language that is capable of multiple interpretations in Section 112(b) of Title 35—noting that such claim language is not permitted:

> The application shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter regarded as the invention.

35 U.S.C. §112(b); *see also* 35 U.S.C. § 112, para. 2 (pre-America Invents Act version with substantially the same language). The responsible parties for insuring that the claims define the invention with particularity include the inventors through their attorney, the patent examiner, and other patent officials responsible for reviewing the claims before allowing them to issue. Such process is meant to be "cooperative"—"[t]he days of an adversarial relationship with patent applications are over," former Patent & Trademark Office Director David J. Kappos told an audience of academics, practitioners, and Patent Office employees. 79 Patent, Trademark & Copyright J. 101 (Nov 27, 2009). In his first few months in office, Kappos said that he "had repeatedly

instructed Examiners to help applicants find patentable subject matter." *Id.*

The inventor has the power of the pen and is thus responsible for finding a way to define the invention with particularity. That means drawing, with text, the meets and bounds of the patent property, both to distinguish from the prior art and to let members of the public see clearly how to avoid trespassing on the patent property just as a land owner defines meets and bounds of a lot with a deed so the public can recognize and avoid trespassing on the property. If the property owner has a lot on Main Street, the boundaries exclude coverage of other property on Main Street. So do the patent claims avoid covering what is outside the patent claims that might include invalidating prior art.

Although patent claim drafting has been identified as one of the hardest legal tasks, it is simplified greatly by the fact that the claims do not have to stand on their own and be inherently unambiguous. Rather, the patent applicant (for pending applications) or patent owner (for issued patents) gets the benefit of their entire patent specification (both figures and text), which describes the invention in prose and at much greater length than the claims do. For example, using the analogy above, if the claim says "Main Street," the Patent Office should not be able to reject the claim merely because it fails to recite a city name that would clear up the ambiguity of *which* main street—as long as the patent specification makes clear what city's main street is to be looked to. As this Court explained in *Nautilus Inc. v. Biosig Instruments Inc.*, the specificity of a claim is to be judged with the explanations about the invention in the specification included:

> In place of the "insolubly ambiguous" standard, we hold that a patent is invalid for indefiniteness ***if its claims, read in light of the specification delineating the patent***, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention.

__ U.S. __, 134 S. Ct. 2120, 2124 (2014) (emphasis added). The importance of clear claim language and of the patent specification in understanding the claim language are similarly highlighted by the Patent Office's claim construction regulations, which require a connection between claim terminology and specification terminology:

> The claim or claims must conform to the invention as set forth in the remainder of the specification and the terms and phrases used in the claims must find clear support or antecedent basis in the description so that the meaning of the terms in the claims may be ascertainable by reference to the description.

37 C.F.R. § 1.75(d)(1) (setting forth the Office's general requires for patent claims). The focus on the specification in construing claims ensures that the words are understood in context, not a vacuum.

Moreover, any determination of claim scope must be performed from the perspective of a person skilled in the art of the invention. Courts and the Patent Office must both exercise caution to avoid falling into the trap of reviewing the claim limitations as would a lawyer or judge. Rather, they must discipline themselves to adopt the perspective of the skilled

artisan. Patents are necessarily at the edge of technology, and thus often at the edge of our language's ability to describe technology. And even in established technological areas, researchers have their own unique vernacular that may not match ordinary language, and perhaps even their own sense of how much uncertainty in language should be permitted—certainly the level of precision demanded by a particle physicist would likely be different from that demanded by a board game designer.

Resort to the specification when trying to understand a claim complements the approach of viewing the invention through the eyes of the skilled artisan. That is because even a skilled artisan must understand, not only the general field in which the invention is placed, but what the inventor is trying to achieve with his or her particular invention—and that is explained in the inventor's written description and figures.[2] Patent claims are complex things—trying to draw a perfect line around what is new and inventive, while carving out what is old and in the prior art. Each claim is also forced to be stated as a single English sentence, thus increasing the odds of awkward phrasing. The problems that come out of such challenges can be resolved only by obtaining a fuller understanding of the invention from the written description and figures, as viewed by a skilled artisan.

The approach of construing claims so that they receive the meaning a skilled artisan would give them in the context of the entire specification is also supposed to be used by courts for issued patents. *See*

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[2] Technically, the "specification" includes the figures, detailed description, and the claims—though judicial opinions often equate the "specification" with only the written description.

Phillips v. AWH Corp., 415 F.3d 1303, 1316-17 (Fed. Cir. 2005) (*en banc*). Thus, the putative claim construction standard between courts and the Patent Office is the same—with the one minor difference being that courts may apply disclaimers made by a patent owner during prosecution, even if the claims do not supply a textual hook for such disclaimer, while the Patent Office properly forces an applicant or Patent Owner to put the explicit text in the claims if it is not already there.

There is thus little justification in recognizing a BRI standard, if claim construction is occurring in the Patent Office the way it should. The justification is further undercut for patents that have already issued, as they come with a property right that should not be readily taken away. And that is triply so where, as a practical matter, amendments are severely restricted in post-grant proceedings, and where the expedited nature of the proceedings further undercuts efforts to clarify claims.

Because these Reviews are purely adjudicative, not examinational, such restrictions may be defensible, but they place immense pressures on any justifications for using BRI. And the use of BRI begs the question of how an issued patent can have multiple meanings or scopes in the Patent Office, but cannot in litigation under what is, ostensibly, an essentially identical test. Furthermore, the use of BRI sets up the prospect of conflicting rulings on the very same patent in view of the very same prior art—something that has occurred and will occur again. But this Court has disapproved ambiguity in patient claims, holding that it requires invalidation out of fidelity to the mandate of Section 112 for claim definiteness. In short, there is little for BRI to do

when claims are interpreted properly, and claims that remain ambiguous even when read in view of the specification through the eyes of a skilled artisan, should be rejected.

II. THE BRI STANDARD CREATES PROBLEMS IN PRACTICE THAT ARE NOT APPARENT FROM ITS THEORY

In theory, the *Phillips* standard for claim construction should seldom depart from the BRI standard, so that (again, in theory), this appeal should be relatively unimportant. Specifically, under the *Phillips* standard, courts are to apply a term's ordinary meaning as it would be understood by a person of ordinary skill in the art. *Phillips*, 415 F.3d at 1316-17. They depart from that ordinary meaning if there is a clear and unambiguous disclaimer by the applicant in the patent specification or the prosecution history. *E.g., 3M Innovative Props. Co. v. Tredegar Corp.*, 725 F.3d 1315, 1326 (Fed. Cir. 2013) ("Where a disavowal does not exist, the ordinary and customary meaning of the claim term will be given its full effect."). Similarly, under BRI, the Patent Office is supposed to apply a claim term's ordinary meaning as understand by a skilled artisan, unless that ordinary meaning conflicts with the patent specification. *See Phillips*, 415 F.3d at 1316; *Trivascular, Inc. v. Samuels*, __ F.3d __, 2015 WL 463539, at *3 (Fed. Cir. Feb. 5, 2016). *But see In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989) ("During patent examination the pending claims must be interpreted as broadly as their terms reasonably allow."). With the exception of looking to disclaimers in the prosecution history under *Phillips*, but not under BRI, these standards are basically the same—meaning there should be little to care about in this appeal.

But the Patent Office frequently does not apply this stated test for BRI—instead, using a "broadest interpretation," "broadest examiner's interpretation,"

or an interpretation that does not look to the specification for guidance. For example, in *In re Stoller*, an invention for a roll-out blanket for turf required that its layers be "laminated," and the Patent Office construed that term to only require a structure with multiple layers, however joined. Docket 2014-1271, at *2-3 (Fed. Cir. Jan. 15, 2015) (non-precedential). The Federal Circuit logically found that "laminating" requires some sort of fusing or bonding of the layers—based both on dictionary definitions (ordinary meaning) and an example in the patent that used a molten polymer to bond the layers and explained the durability benefits of lamination. Id. at *4-5. In *Microsoft Corp. v. Proxyconn, Inc.*, the Federal Circuit again held that the Board used constructions that were unreasonably broad—e.g., construing a term that required a "gateway ... connected to [a] packet-switched network in such a way that network packets sent between at least two other computers" would cover a gateway that was one of the "two other computers." 789 F.3d 1292, 1298-99 (Fed. Cir. 2015). And in *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, the Federal Circuit found that the Board in an IPR had selected the broadest definition in a dictionary, when it should have picked a definition consistent with how the term was used throughout the patent specification. __ F.3d __, 2016 WL 692369, at *2-4 (Fed. Cir. Feb. 22, 2016).

These decisions represent just the tip of the iceberg—the few appeals decided by the Federal Circuit after a party faces a three-judge Board of Appeals and takes on the added effort of an appeal in court. Below the water line lie rejections in hundreds of thousands of pending cases at the Patent Office. It is for those cases that, in addition to deciding whether

and when BRI should apply (if at all), this Court should explain unambiguously what BRI is, or the divide between theory and practice will continue.

CONCLUSION

Amicus respectfully submits that the Court should adopt a standard for claim review that is anchored in the perspective of a person having skill in the art and that looks to the entire patent and its file history in avoiding an ambiguous construction that expands the bounds of the patent property beyond what is claimed with particularity and distinctness. If the Court does so, it will find that much, if not all, of the distinction between *Phillips* and BRI falls away.

Respectfully submitted.

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IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC.,
PETITIONERS,

V.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
RESPONDENT.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* MITCHELL HAMLINE SCHOOL OF LAW INTELLECTUAL PROPERTY INSTITUTE IN SUPPORT OF PETITIONERS

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TABLE OF CONTENTS

TABLE OF AUTHORITIES ii

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 2

ARGUMENT 4

A. The BRI Rule Addresses Only Narrow Issues in Original Prosecution 4

B. In Post-Issuance Proceedings the Benefits of the BRI Rule are Outweighed By the Rule's Harm to the Patentee . 6

1. Patentees Have No Real Ability to Amend in Inter Partes Review ("IPR") 8

2. Claim Amendments to Issued Patents Create Intervening Rights 10

CONCLUSION 14

TABLE OF AUTHORITIES

CASES

page

Abbott Labs. v. Sandoz Inc.,
566 F.3d 1282 (Fed. Cir. 2009) 13

Atlantic Thermoplastics Co Inc v. Faytex Corporation,
974 F. 2d 1299 (Fed. Cir. 1992) 13

BIC Leisure Products, Inc. v. Windsurfing Intern., Inc.,
1 F.3d 1214 (Fed. Cir. 1993) 11

Briggs v. Lillis v. Cooke v. Jones & Taylor,
1905 Dec. Comm'r. Pat. 168 4

Burlington Indus., Inc. v. Quigg,
822 F.2d 1581 (Fed. Cir. 1987) 3

Ex Parte Culter, 1906 Dec. Comm'r. Pat. 247 4, 12

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd., 535 U.S. 722 (2002) 8

Fresenius USA, Inc. v. Baxter Intern'l, Inc.,
721 F.3d 1330 (Fed. Cir. 2013) 4

Hedlund v. Curtis, 80 Manuscript Decisions 278
(prior to 1869, exact date unknown) 5

In re Baum, 374 F.2d 1004 (CCPA 1974) 12

In re Buszard, 504 F.3d 1364 (Fed. Cir. 2007) 2, 3

In re Carr, 297 F 542 (App. D.C. 1924) 2, 5

In re Donaldson Co., Inc.,
16 F.3d 1189 (Fed. Cir. 1994) 13

In re Ehrreich, 590 F.2d 902 (CCPA 1979) 12

In re Hofstetter, 362 F.2d 293 (1966),
cert. granted sub nom. Brenner v. Hofstetter,
386 U.S. 990 (1967), *vacated*, 389 U.S. 5 (1967),
appeal dismissed, 55 C.C.P.A. 1493 (1967) 6

In re Mixon, 470 F.2d 1374 (CCPA 1973) 6

In re Prater, 415 F.2d 1393 (CCPA 1969) 2, 3

In re Reuter, 670 F.2d 1015 (CCPA 1981) 12

In re Sneed, 710 F.2d 1544 (Fed. Cir. 1983) 12

In re Tanaka, 551 F.2d 855 (CCPA 1977) 12

In re Warner, 379 F.2d 1011 (1967) 6

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984) 7, 12

In re Zletz, 893 F.2d 319 (Fed. Cir. 1989) 2, 3

Marine Polymer Technologies,
Inc. v. HemCon, Inc.,

672 F.3d 1350 (Fed. Cir. 2012) 12

Markman v. Westview Instruments, Inc.,
517 U.S. 370 (1996) 2

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005) 2

Podlesak and Podlesak v. McInnerney,
1906 Dec. Comm'r. Pat. 265 4

Shockley v. Arcan, Inc.,
248 F.3d 1349 (Fed. Cir. 2001) 11

Sontag Chain Stores Co. Limited v. National Nut Co. of California,
310 U.S. 281 (1940) 10

Teva Pharma. USA, Inc. v. Sandoz, Inc.,
574 U.S. ___, 135 S. Ct. 831 (2015) 2

STATUTES, LEGISLATIVE AND ADMINISTRATIVE MATERIALS

	page
35 U.S.C. § 120	7
35 U.S.C. § 132	7
35 U.S.C. § 251	12
35 U.S.C. § 252	3, 11, 12
35 U.S.C. § 307(b)	12
35 U.S.C. § 316	3, 8, 9
35 U.S.C. § 318	3, 10
37 C.F.R. § 42.221(a)	3, 9
An Act To establish a United States Court of Appeals for the Federal Circuit, to establish a United States Claims Court, and for other purposes, 96 Stat. 25 (April 2, 1982)	13
Patent Act of 1952, 66 Stat. 792, ch. 950 (July 19, 1952)	10

SECONDARY AUTHORITIES

page

Becker and Heller, The "Rule of Doubt" In re Hofstetter, 49 JPOS 607 (August 1967) 6

Cowles, Arthur W., Suggested Treatment of 'Functional" Claims, 6 J. Pat. Off. Soc'y. 315 (1923-1924) 5

Federico, Pasquale J., Intervening Rights in Patent Reissues, 30 Geo. Wash. L. Rev. 603 (1961–62). 10

Fitzpatrick, Cella, Harper & Scinto, Just the Stats: IPR: Number of Claims Amended-Denied Amendments. http://www.postgranthq.com/statistics/ipr-decisions-on-requests-to-amend-the-claims/ (last visited Feb. 29, 2016) 9

Kedar S. Bhatia, Likelihood of a Petition Being Granted. http://dailywrit.com/2013/01/likelihood-of-a-petition-being-granted/ (last visited Feb. 29, 2016) 9

INTEREST OF *AMICUS CURIAE*[1]

The Intellectual Property Institute is an entity within Mitchell Hamline School of Law. The mission of the Institute is to foster and protect innovation through education, research, and service initiatives. Among its activities, the Institute advocates for the responsible development and reform of intellectual property law, including patent laws and the patent system of the United States. A purpose of the Institute is to raise issues and arguments in light of the public interest and the best interests of the patent system as a whole. The Institute has no financial interest in any of the parties to the current action.

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[1]Pursuant to Supreme Court Rule 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae* or its counsel made a monetary contribution to its preparation or submission. Additionally, counsel for both parties have consented to the filing of this brief, and their consents have been filed with the Clerk of this Court.

SUMMARY OF ARGUMENT

The claims of an issued patent should be given the meaning that "a skilled artisan would ascribe in the context" of the issued patent.[2] It is unreasonable to assign them their broadest reasonable interpretation ("BRI rule"). The skilled-artisan standard is used universally in infringement suits and other actions originating in the district courts.[3] The BRI rule, in contrast, has been used mainly in the United States Patent and Trademark Office (USPTO), during prosecution of *ex parte*, original applications for patent.[4]

The BRI rule has a narrow justification: it attempts to deal with the ambiguity and predictive uncertainty associated with interpreting patent claims while the record of prosecution, and the patent document itself, are not yet settled.[5] Even the decisions that apply the

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[2] *Teva Pharma. USA, Inc. v. Sandoz, Inc.*, 574 U.S. ___, 135 S. Ct. 831, 841 (2015) (emphasis removed).

[3] *See, e.g., Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996); *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

[4] *See, e.g., In re Carr*, 297 F. 542 (App. D.C. 1924); *In re Prater*, 415 F.2d 1393, 1404–05 (CCPA 1969); *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989); *In re Buszard*, 504 F.3d 1364, 1366–67 (Fed. Cir. 2007).

[5] *See, e.g., In re Prater*, 415 F.2d 1393, 1404–05 (C.C.P.A. 1969) ("[C]laims yet unpatented are to be given the broadest reasonable interpretation consistent with the specification during the (continued...)

BRI rule note that its application is premised on the patent applicant's ability, in response to the USPTO's actions, to change the language of the patent claim freely.[6]

The proper role of the BRI rule in post-grant proceedings is clear. In those proceedings, the patentee's freedom to amend the patent claim is seriously curtailed in several ways.[7] Therefore, the BRI rule should not apply.

More broadly, logic and good order also argue strongly against using the BRI rule at any point after the patent has issued. As its name suggests, the BRI rule will assign the patent claim, in most instances, a technological scope that is larger than the patentee has actually been granted. Allowing the USPTO to use the

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[5](...continued)
examination of a patent application since the applicant may then amend his claims, the thought being to reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified.").

See also, e.g., In re Zletz, 893 F.2d 319, 321 (Fed. Cir. 1989); *In re Buszard*, 504 F.3d 1364, 1366–67 (Fed. Cir. 2007).

[6]*See, e.g., In re Prater*, 415 F.2d 1393, 1404–05 (CCPA 1969); *In re Zletz*, 893 F.2d 319, 322 (Fed. Cir. 1989).

See also Burlington Indus., Inc. v. Quigg, 822 F.2d 1581 (Fed. Cir. 1987).

[7]*See, e.g.*, 35 U.S.C. § 316(d); 37 C.F.R. § 42.221(a) (implementing 35 U.S.C. § 316(d)).

See also, e.g., 35 U.S.C. §§ 318(d) (intervening rights in IPR proceedings); 252 (intervening rights generally).

BRI rule in post-grant proceedings therefore presents a scenario that is nonsensical: the agency evaluates the validity of patent rights that do not exist, and which will never impact the public domain; thereafter, it uses its determination of this fanciful issue to govern the existence of patent right that do exist, and which often have substantial economic value.[8]

Frankly, it is hard to see any public good that results from this sequence of events. In contrast, the harms, both to the individual patentee and to the patent system, are plain.

ARGUMENT

A. The BRI Rule Addresses Only Narrow Issues in Original Prosecution

The Patent Office's use of the BRI rule during original prosecution dates back to at least the first decade of the 1900s, when several decisions by Commissioner Allen refer to the practice expressly.[9] The beginning of the rule in the agency actually may

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[8] *See, e.g., Fresenius USA, Inc. v. Baxter Intern'l., Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).

[9] *See Briggs v. Lillis v. Cooke v. Jones & Taylor*, 1905 Dec. Comm'r. Pat. 168; *Ex Parte Culter*, 1906 Dec. Comm'r. Pat. 247; *Podlesak and Podlesak v. McInnerney*, 1906 Dec. Comm'r. Pat. 265.

be considerably older,[10] perhaps coinciding roughly with the adoption in the Patent Office of peripheral claim interpretation. By the early 1920s the rule in the Patent Office was so common that various sources described it as well established.[11]

The BRI rule is best understood as an effort to protect the public domain. Because a patent claim uses language, it is ambiguous, in the sense that the claim potentially could be interpreted to have various different meanings. While only one of these meanings ultimately will be deemed legally correct during infringement litigation, during original prosecution that meaning may be difficult to predict. Instead, there may be several different interpretations that a court might reasonably choose.

The BRI rule requires the USPTO during original prosecution to use the candidate reasonable interpretation that is the broadest. This broadest reasonable interpretation of the claim would have the largest impact on the public domain. By using it, the agency explores whether the "worst-reasonable-case" intrusion into the public's right to use is justified, should the courts select that version of the patent right after issuance.

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[10] *See Hedlund v. Curtis*, 80 Manuscript Decisions 278 (prior to 1869, exact date unknown).

[11] *See, e.g., In re Carr*, 297 F 542 (App. D.C. 1924).
See also, e.g., Arthur W. Cowles, Suggested Treatment of 'Functional" Claims, 6 J. Pat. Off. Soc'y 315 (1923-1924).

In this way the BRI rule bears some underlying similarity to the historical "Rule of Doubt." That rule was based on a recognition within the USPTO that the agency could not predict with certainty how the courts would eventually rule on particular questions of patentability. To guard against the agency acting on an erroneous conclusion that a claim was unpatentable, it adopted the practice of allowing patents to issue whenever the agency was at least "in doubt" whether the patent would be upheld by the courts.[12] It appears that, like the BRI rule, the Rule of Doubt was first expressly articulated in the Patent Office in the early 1900s. The USTPO and its reviewing court, the Court of Customs and Patent Appeals, abandoned the Rule of Doubt in about the late 1960s.[13]

B. In Post-Issuance Proceedings the Benefits of the BRI Rule are Outweighed By the Rule's Harm to the Patentee

The benefit of the BRI rule is weighed against the harm that use of the rule inflicts on the

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[12] *See, e.g., In re Hofstetter,* 362 F.2d 293 (1966), *cert. granted sub nom. Brenner v. Hofstetter,* 386 U.S. 990 (1967), *vacated,* 389 U.S. 5 (1967), *appeal dismissed,* 55 C.C.P.A. 1493 (1967); *In re Warner,* 379 F.2d 1011 (1967).

[13] *See, e.g., In re Mixon,* 470 F.2d 1374 (CCPA 1973).

See also, e.g., Becker and Heller, The "Rule of Doubt" . In re Hofstetter, 49 JPOS 607 (August 1967).

applicant/patentee.[14] During original prosecution this harm is minimal. Section 132 of the patent statute gives the applicant the right to amend the claims of the application during prosecution,[15] and this right can be repeated nearly *ad infinitum* through the filing of continuation applications[16] or requests for continued examination.[17] The applicant can therefore end the USPTO's exploration of an assertedly broadest reasonable interpretation by simply amending the patent claim until that interpretation is no longer reasonable. In this way, the patent applicant is encouraged to eliminate those potential claim interpretations that intrude into the public domain farther than the applicant intends.[18] In addition, during original prosecution, the presentation of these

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[14] *See, e.g., In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984) (BRI in *ex parte* reexamination proceedings) ("[A]n applicant's ability to amend his claims to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents. When an application is pending in the PTO, the applicant has the ability to correct errors in claim language and adjust the scope of claim protection as needed. This opportunity is not available in an infringement action in district court. ").

[15] 35 U.S.C. § 132(a) ("[I]f after receiving such notice, the applicant persists in his claim for a patent, with or without amendment, the application shall be reexamined ").

[16] *See* 35 U.S.C. § 120.

[17] *See* 35 U.S.C. § 132(b).

[18] *See, e.g., In re Prater*, 415 F.2d 1393, 1404–05 (C.C.P.A. 1969).

claim amendments has traditionally had little or no effect on the applicant's eventual patent rights beyond the substance of the amendments themselves.[19] For these various reasons, the USPTO's use of the BRI rule in original prosecution traditionally has been accepted.

1. Patentees Have No Real Ability to Amend in Inter Partes Review ("IPR")

In contrast, the harm from use of the BRI rule in post-grant proceedings is large. The present case is illustrative. Here, the patent is undergoing inter partes review under sections 311 through 319 of the patent statute.[20] Unlike an applicant, whose patent application is undergoing original examination, a patentee whose patent is in IPR has only very limited opportunities to amend the patent claim. Under section 316(d), for example, the patentee can amend the patent only once.[21] Obviously, this provides little real opportunity for the patentee to explore alternate wordings of the claim that might remove a broadest reasonable interpretation from consideration.

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[19] *Compare Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722 (2002) (discussing impact of claim amendments during original prosecution on prosecution history estoppel).

[20] 35 U.S.C. §§ 311-319.

[21] 35 U.S.C. § 316(d) ("During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent ").

Moreover, the amendment under section 316 cannot be asserted by right; instead, it must be requested by motion.[22] Thus, permission to amend may be withheld. Indeed, various statistical studies of the USPTO's actions on these motions show that permission to amend is being granted only rarely, and that most IPR proceedings progress without amendment.[23]

This point needs emphasis. The statistical reports state that the USPTO is permitting claim amendments under section 316(d) at roughly the same rate that this Court grants petitions for certiorari.[24] The ability to petition for certiorari is not equivalent to appeal as a matter of right. By the same token, the USPTO's practice under section 316(d) is not the equivalent of a right to amend.

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[22] 35 U.S.C. § 316(d).

[23] *See, e.g.*, Fitzpatrick, Cella, Harper & Scinto, Just the Stats: IPR: Number of Claims Amended-Denied Amendments. http://www.postgranthq.com/statistics/ipr-decisions-on-requests-to-amend-the-claims/ (last visited Feb. 29, 2016) (As of June 30, 2015, the PTAB have granted motions to amend at a rate of 6.2 %).

See also 37 C.F.R. § 42.221(a) (implementing 35 U.S.C. § 316(d)).

[24] *See, e.g.*, Kedar S. Bhatia, Likelihood of a Petition Being Granted http://dailywrit com/2013/01 /likelihood-of-a-petition-being-granted/ (last visited Feb. 29, 2016) (reporting that Supreme Court, between June 30, 2011 and July 2, 2012 granted cert. on 4% of paid petitions).

2. Claim Amendments to Issued Patents Create Intervening Rights

Even if the USPTO were to make claim amendments more widely available in IPR proceedings, the harm from use of the BRI rule would still be too large to justify its use. Section 318(c) of the patent statute states that amended and new claims introduced in an IPR are subject to intervening rights.[25] Intervening rights are a doctrine first developed by decisions of this Court in connection with reissue practice.[26] They were codified as part of the Patent Act of 1952.[27] Speaking generally, they recognize the rights of persons who utilize, or who simply make substantial preparation to utilize, the subject matter of a patent claim added to a patent after issuance. Section 252 of the patent statute, which defines intervening rights, authorizes courts to restrict

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[25]35 U.S.C. § 318(c) ("INTERVENING RIGHTS. – Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).").

[26]*See, e.g., Sontag Chain Stores Co. Limited v. National Nut Co. of California,* 310 U.S. 281 (1940).

See also Pasquale J. Federico, Intervening Rights in Patent Reissues, 30 Geo. Wash. L. Rev. 603 (1961–62).

[27]Patent Act of 1952, 66 Stat. 792, ch. 950 (July 19, 1952).

the patent owner's normal control over the patented invention "under such terms as the court deems equitable for the protection of investments made or business commenced" prior to the new claim becoming effective.[28]

The existence of intervening rights is therefore especially damaging to the interests of a patentee who is facing the BRI rule. Because of those rights, an amended claim may be substantially less valuable and more difficult to enforce. For this reason, patentees are

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[28] *See* 35 U.S.C. § 252, par.2 ("A reissued patent shall not abridge or affect the right of any person or that person's successors in business who, prior to the grant of a reissue, made, purchased, offered to sell, or used within the United States, or imported into the United States, anything patented by the reissued patent, to continue the use of, to offer to sell, or to sell to others to be used, offered for sale, or sold, the specific thing so made, purchased, offered for sale, used, or imported unless the making, using, offering for sale, or selling of such thing infringes a valid claim of the reissued patent which was in the original patent. The court before which such matter is in question may provide for the continued manufacture, use, offer for sale, or sale of the thing made, purchased, offered for sale, used, or imported as specified, or for the manufacture, use, offer for sale, or sale in the United States of which substantial preparation was made before the grant of the reissue, and the court may also provide for the continued practice of any process patented by the reissue that is practiced, or for the practice of which substantial preparation was made, before the grant of the reissue, to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue.").

See also, e.g., BIC Leisure Products, Inc. v. Windsurfing Intern., Inc., 1 F.3d 1214 (Fed. Cir. 1993); *Shockley v. Arcan, Inc.*, 248 F.3d 1349 (Fed. Cir. 2001).

usually loathe to retreat from the exact text of an issued patent claim during any post-grant proceeding.[29] And yet the BRI rule may force them to do so even though good no purpose is being served.

It is true that the USPTO and its reviewing courts have used the BRI rule other post-grant proceedings, prior to Congress' creation of inter partes review,[30] even though these other proceedings are also subject to intervening rights.[31] These cases are not particularly compelling, however. They are of much more recent origin than the lead decisions that apply the BRI rule to original prosecution.[32] They do not discuss the impact of intervening rights on the patentee's freedom to amend. Other claim interpretation practices within the USPTO, of even longer standing, have been overturned since the structural reforms of the Federal

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[29] *See generally, e.g., Marine Polymer Technologies, Inc. v. HemCon, Inc.*, 672 F.3d 1350 (Fed. Cir. 2012).

[30] With regard to reissue proceedings, under 35 U.S.C. § 251, *see, e.g., In re Baum*, 374 F.2d 1004 (CCPA 1974); *In re Tanaka*, 551 F.2d 855 (CCPA 1977); *In re Ehrreich*, 590 F.2d 902 (CCPA 1979); *In re Reuter*, 670 F.2d 1015 (CCPA 1981); *In re Sneed*, 710 F.2d 1544 (Fed. Cir. 1983).

With regard to *ex parte* reexamination proceedings, *see, e.g., In re Yamamoto*, 740 F.2d 1579 (Fed. Cir. 1984).

[31] *See, e.g.*, 35 U.S.C. §§ 252 (reissue proceedings), 307(b) (*ex parte* reexamination).

[32] *Compare, e.g., Ex Parte Culter*, 1906 Dec. Comm'r. Pat. 247 *with In re Baum*, 374 F.2d 1004 (CCPA 1974) (reissue); *and In re Yamamoto*, 740 F.2d 1579 (Fed. Cir. 1984) (reexamination).

Courts Improvement Act of 1982[33] held them up to greater scrutiny [34]

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[33]An Act To establish a United States Court of Appeals for the Federal Circuit, to establish a United States Claims Court, and for other purposes, 96 Stat. 25 (April 2, 1982).

[34]*See, e.g., In re Donaldson Co., Inc.*, 16 F.3d 1189 (Fed. Cir. 1994) (interpretation of means expressions); *Atlantic Thermoplastics Co Inc v. Faytex Corporation*, 974 F. 2d 1299 (Fed. Cir. 1992) (interpretation of product-by-process claims); *Abbott Labs. v. Sandoz Inc.*, 566 F.3d 1282 (Fed. Cir. 2009) (interpretation of product-by-process claims).

CONCLUSION

For the forgoing reasons, the Institute respectfully submits that the panel decision of the Federal Circuit be reversed.

Respectfully submitted,

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BRIEF OF NATIONAL ASSOCIATION OF PATENT PRACTITIONERS, INC. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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February 29, 2016

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 2

ARGUMENT 4

I. The law does not require applying two different standards for claim construction. 4

A. Congress has never indicated that there should be two separate standards for claim construction. 4

B. The PTO's creation of two separate standards for claim construction conflicts with this Court's closest precedents. 5

C. Lower courts have approved BRI standard despite inconsistent contrary rulings. 10

D. Intervening actions by Congress and this Court undermine the ostensible justifications for the BRI standard. 12

II. Having two different standards for claim construction causes practical problems. 15

A. In practice, the BRI standard complicates patent examination and systematically results in overbroad claim constructions. 15

B. The use of two claim-construction standards complicates litigation and creates agency/court conflicts. 17

CONCLUSION 20

TABLE OF AUTHORITIES

Page

CASES

Amgen Inc. v. *Hoechst Marion Roussel, Inc.*, 314 F.3d 1313 (Fed. Cir. 2003) 7

In re Baxter Intern., Inc., 678 F.3d 1357 (Fed. Cir. 2012) 17

Bilski v. Kappos, 561 U.S. 593 (2010) 9

Bonito Boats, Inc. v. *Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989) 7-8

In re Construction Equipment Co., 665 F.3d 1254 (Fed. Cir. 2011) 17

In re Cuozzo Speed Technologies, LLC, 793 F.3d 1268 (Fed. Cir. 2015) (amended opinion on rehearing), rehearing en banc denied, 793 F.3d 1297 (Fed. Cir. 2015) (dissents and concurrence) 2, 18

Diamond v. *Chakrabarty*, 447 U.S. 303 (1980) 9

Diamond v. *Diehr*, 450 U.S. 175 (1981) 9

In re Donaldson Co., 16 F.3d 1189 (Fed. Cir. 1994) (*en banc*) 11 12

Festo v. *Shoketsu*, 535 U.S. 722 (2002) 14

Fresenius USA, Inc. v. *Baxter Intern., Inc.*, 721 F.3d 1330 (Fed. Cir. 2013) 17

In re Gardner, 427 F.2d 786 (C.C.P.A. 1970) 13

Highmark Inc. v. *Allcare Health Management*, 134 S. Ct. 1744 (2014) 10

Knapp v. *Morss*, 150 U.S. 221 (1893) 7

KSR Intern. Co. v. *Teleflex Inc.*, 550 U.S. 398 (2007) 10

Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996) 7

Microsoft Corp. v. Proxyconn, Inc., 789 F.3d 1292 (Fed. Cir. 2015) 16

In re Morris, 127 F.3d 1048 (Fed. Cir. 1997) 10

Nautilus, Inc. v. *Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014) 2, 5, 10, 13

Octane Fitness v. *Icon Health & Fitness*, 134 S. Ct. 1749 (2014) 10

Pfaff v. *Wells Electronics, Inc.*, 525 U.S. 55 (1998) 8

Phillips v. AWH Corp., 415 F.3d 1303 (Fed. Cir. 2005) (*en banc*) 10, 20

In re Reuter, 651 F.2d 751 (CCPA 1981) 14

Seymour v. *Osborne*, 78 U.S. 516 (1871) 8

In re Skvorecz, 580 F.3d 1262 (Fed. Cir. 2009) 16

Sontag Chain Stores Co. v. *Nat'l Nut Co.*, 310 U.S. 281 (1940) 15

Source Search Technologies, LLC v. *LendingTree*, 588 F.3d 1063 (Fed. Cir. 2009) 7

Southwall Technologies, Inc. v. Cardinal IG Co., 54 F.3d 1570 (Fed. Cir. 1995) 11

In re Suitco Surface, Inc., 603 F.3d 1255 (Fed. Cir. 2010) 16

TriVascular v. Samuels, No. 15-1631 (Fed. Cir. Feb. 5, 2016) 10

United Carbon Co. v. *Binney & Smith Co.*, 317 U.S. 228 (1942) 6

Warner-Jenkinson Co. v. *Hilton Davis Chemical Co.*, 520 U.S. 17 (1997) 14

White v. *Dunbar*, 119 U.S. 47 (1886) 7

In re Yamamoto, 740 F.2d 1569 (Fed. Cir. 1984) 14

In re Zletz, 893 F.2d 319 (Fed. Cir. 1990) 12

CONSTITUTION, STATUTES, AND RULES

U.S. Const., Art. I, Sec. 8, clause 8 8

Patent Act, 35 U.S.C. § *et seq.* .....*passim*

§ 101 4
§ 102 4-5
§ 103 4-5
§ 112 4
§ 112(a) 5
§ 112(b) 12-13
§ 112(6)/112(f) 11
§ 131 4
§ 134 16
§ 141 16
§ 145 16
§ 154(d) & (d)(3) 14
§ 252 15
§ 282(b) 5
§ 282(b)(3)(A) 5
§ 286 18
§ 307(b) 15
§ 318(c) 15

American Inventors Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501 14

America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) 2

Uruguay Round Agreements Act, Pub. L. 103-465, 108 Stat. 4809 (1994) 14

Sup. Ct. R.:
Rule 37.3(a) 1
Rule 37.6 1

ADMINISTRATIVE MATERIALS

Final Rule, 77 Fed. Reg. 48680, 48697 (Aug. 14, 2012) 10

Manual of Patent Examining Procedure (9th ed. Oct. 2015)
§ 2103 4
§ 2111 10
§ 2258(I)(G) 18

U.S. Dep't. of Commerce, New Examining Procedures, 781 Off. Gaz. Pat. Office 1 (Aug. 7, 1962) 13

U.S. Patent & Trademark Office, Patent Trial and Appeal Bd., last visited Feb. 26, 2016, http://www.uspto.gov/dashboards/patenttrialandappealboard/main.dashxml 16

OTHER MATERIALS

Christopher A. Cotropia, *The Unreasonableness of the Patent Office's "Broadest Reasonable Interpretation" Standard*, 37 AIPLA Q.J. 285 (2009) 4

INTEREST OF *AMICUS CURIAE*[1]

Amicus the National Association of Patent Practitioners ("NAPP") is a nonprofit professional association of approximately 400 patent lawyers and patent agents who are licensed by the United States Patent and Trademark Office ("PTO") to write patent applications and procure patents for their clients. NAPP is dedicated to supporting patent practitioners and those working in the field of patent law in matters relating to patent prosecution. NAPP's mission is to provide networking, education, collegial exchange, benefits, and a collective voice in the larger intellectual property community on patent law and prosecution practice, so that patent practitioners can achieve the highest levels of competence and professionalism in their practices. Because of that focus, NAPP members have some of the most extensive and intimate experience with the day-to-day reality of patent examination at the PTO and the impact of that process on inventors, especially smaller applicants such as start-up companies and individual inventors with less political influence. NAPP and its members have a corresponding interest in the fairness, efficiency, and predictability of patent examination.

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[1] Pursuant to Supreme Court Rule 37.6, counsel for *amicus* represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than *amicus* or its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.3(a), counsel for *amicus* represent that all parties have consented to (or not objected to) the filing of this brief. Cuozzo filed a letter granting blanket consent to the filing of *amicus* briefs. Written consent from counsel for Director Lee is being filed contemporaneously with the brief.

More specifically, NAPP members have extensive experience with how the roughly seven thousand patent examiners at the PTO, as well as the over 200 administrative patent judges of the Patent Trial and Appeal Board ("PTAB"), apply the "broadest reasonable interpretation" ("BRI") standard during the patent examination process. Prosecution depends heavily on the claim-construction standard used by the agency. NAPP members know well the impact of the BRI standard on cost and predictability of examination. NAPP members have a corresponding interest in crafting patent claims that are sufficiently clear to be enforced and defended from challenge. *See Nautilus, Inc.* v. *Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014) (highlighting the notice function of patents).

NAPP's *amicus* brief here focuses on only one of the two issues for which the Court granted *certiorari*, namely whether the PTAB should apply the BRI standard during *inter partes* review ("IPR") proceedings. NAPP takes no position on the other question for which the Court granted *certiorari* regarding the reviewability of IPR institution decisions.

SUMMARY OF ARGUMENT

The parties have framed this petition in terms of whether the BRI standard is appropriate in a narrow context, namely the new IPR proceeding created by the America Invents Act. Pub. L. No. 112-29, 125 Stat. 284 (2011). A bare Federal Circuit panel majority held that IPR proceedings provide an opportunity to amend claims that is sufficiently robust to justify application of the BRI standard. *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268 (Fed. Cir. 2015) (amended opinion on rehearing), *rehearing en banc denied*, 793 F.3d 1297 (Fed. Cir. 2015) (dissents and

concurrence; 6-5 vote). The implicit assumption in all opinions was that use of the BRI standard turns primarily on whether patent owners can amend their claims in IPR proceedings. The Court should question that assumption: In deciding this matter, the Court should not assume that the BRI standard is appropriate in any context.

Broader than the question of whether the BRI standard is appropriate for IPR proceedings is the question of whether the BRI standard is ever appropriate. The PTO uses a different claim-construction standard during examination than the courts use during litigation. Yet neither Congress nor this Court has authorized different standards for claim construction. Lower courts have approved use of such dual standards, but their jurisprudence on claim construction is also internally inconsistent.

In the absence of a controlling statute, the existence of two different standards for patent claim construction cannot be justified. Such dual standards conflict with a host of this Court's precedents on the importance of notice, fairness, and uniformity in this area of the law. Traditionally, lower courts justified the BRI standard by alleging that the different standard merely forces patent applicants to make harmless amendments to clarify their claims. Yet intervening acts by Congress and this Court have resulted in claim amendments having significant adverse consequences for inventors, thus undermining the justification for the BRI standard. As NAPP members' experiences show, the BRI standard and the use of dual claim-construction standards cause numerous practical problems for the patent system.

ARGUMENT

I. The law does not require applying two different standards for claim construction.

A. Congress has never indicated that there should be two separate standards for claim construction.

Congress envisioned a unitary standard, applicable to both patent examination and litigation. *See generally* Christopher A. Cotropia, *The Unreasonableness of the Patent Office's "Broadest Reasonable Interpretation" Standard*, 37 AIPLA Q.J. 285 (2009). Congress instructed the Director to "cause an examination to be made of the application and the alleged new invention." 35 U.S.C. § 131. "[I]f on such examination it appears that the applicant is entitled to a patent under the law, the Director shall issue a patent therefor." *Id.* Consistent with that mandate, the Director examines patent applications for compliance with §§ 101, 102, 103, 112, and the other relevant provisions of the Patent Act, as well as relevant nonstatutory law. *See* Manual of Pat. Exam. Proc. § 2103 (9th ed. Oct. 2015) ("Patent Examination Process") (stating "each claim should be reviewed for compliance with every statutory requirement for patentability in the initial review of the application"). Prefatory 35 U.S.C. § 101 states that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." Similarly, § 102 states that a "person shall be entitled to a patent unless" one of several prior art conditions applies.

Tellingly, courts apply the same statutes—35 U.S.C. §§ 102, 103, 112—during both examination and litigation. Congress explicitly commanded the courts during litigation to refer to the same statutes that the PTO uses during examination. 35 U.S.C. § 282(b). In the rare instances when Congress sought to deviate from a unitary standard and distinguish between examination and litigation, Congress did so expressly. *Compare, e.g.*, 35 U.S.C. § 112(a) (best mode required during examination), *with* 35 U.S.C. § 282(b)(3)(A) (best mode defense unavailable during litigation). The patent statutes contain no parallel signal from Congress for the PTO to use a different claim construction standard than the courts.

B. The PTO's creation of two separate standards for claim construction conflicts with this Court's closest precedents.

No decision from this Court has authorized the PTO to perform claim construction during examination differently from claim construction during litigation. No Supreme Court decision mentions the phrase "broadest reasonable interpretation," much less approves the BRI standard in any procedural context. To the contrary, this Court's closest precedents in the field of patents highlight the principles of notice, fairness, uniformity, and fidelity to the statute—all of which call into question the use of two separate claim-construction standards.

1. Most recently, this Court reminded the lower courts, "[A] patent must be precise enough to afford clear notice of what is claimed." *Nautilus*, 134 S. Ct. at 2129. "Otherwise there would be '[a] zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims.'" *Id.*

(*quoting United Carbon Co.* v. *Binney & Smith Co.*, 317 U.S. 228, 236 (1942)).

The BRI standard undermines the notice function of patents. Because the PTO conducts examination of patent applications under a different claim-construction standard than the one used in court, the entire prosecution history at the PTO becomes tainted and less helpful than it would be under a unitary standard. Any member of the public who wishes to rely on a statement in the prosecution history must question whether it will remain true when analyzed under the different standard in court. The two separate standards for claim construction also forces parties to re-construe the same claim language in separate forums.

2. This Court has emphasized the important of uniformity in the specific context of patent claim construction:

> Some persons seem to suppose that a claim in a patent is like a nose of wax which may be turned and twisted in any direction, by merely referring to the specification, so as to make it include something more than, or something different from, what its words express. The context may, undoubtedly, be resorted to, and often is resorted to, for the purpose of better understanding the meaning of the claim; but not for the purpose of changing it, and making it different from what it is. The claim is a statutory requirement, prescribed for the very purpose of making the patentee define precisely what his invention is; and it is unjust to the public, as well as an evasion of the law, to construe it in a manner different from

> the plain import of its terms. This has been so often expressed in the opinions of this court that it is unnecessary to pursue the subject further.

White v. *Dunbar*, 119 U.S. 47, 51-52 (1886). Consistent with the uniformity principle, this Court has repeatedly held "that which infringes, if later, would anticipate if earlier." *Knapp* v. *Morss*, 150 U.S. 221, 228 (1893) (citing cases). Similarly, the Federal Circuit observes that "[a]s this court has repeatedly instructed in the past, '[i]t is axiomatic that claims are construed the same way for both invalidity and infringement.'" *Source Search Technologies, LLC* v. *LendingTree*, 588 F.3d 1063, 1075 (Fed. Cir. 2009) (*citing Amgen Inc.* v. *Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1330 (Fed. Cir. 2003)).

This Court has also emphasized the principle of uniformity in related areas of patent law. This Court explicitly cited "uniformity" in claim construction as a reason to allocate patent claim construction to judges rather than juries. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996). The Court explicitly cited "uniformity" as the reason why the Founders in the Constitution empowered Congress, rather than the states, to grant patents and the reason why Congress created the Federal Circuit as the centralized destination for federal patent appeals. *See Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989); *Markman*, 517 U.S. at 390.

The BRI standard violates the spirit of uniformity that this Court has emphasized throughout its precedents. Patent claims are not like a "nose of wax." *Dunbar*, 119 U.S. at 47 The meaning of patent claims should not change between different occasions

or when construed by different tribunals. The PTO flouts the public policy of uniformity by adopting a special rule that construes claims in a manner different than the courts.

3. This Court's precedents highlight the fairness of rewarding the Nation's inventors with patents in exchange for revealing their secret inventions to the public. "The federal patent system thus embodies a carefully crafted bargain for encouraging the creation and disclosure of new, useful, and nonobvious advances in technology and design in return for the exclusive right to practice the invention for a period of years." *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 US 141, 150-51 (1989). "Letters patents are ... to be regarded ... as matter of compensation to the inventors for their labor, toil, and expense in making the inventions, and reducing the same to practice for the public benefit, as contemplated by the Constitution and sanctioned by the laws of Congress." *Pfaff* v. *Wells Electronics, Inc.*, 525 U.S. 55, 63-64 (1998) (*quoting Seymour* v. *Osborne*, 78 U.S. 516, 533-34 (1871)). *See also* U.S. Const., Art. I, Sec. 8, clause 8 (Congress has power "To promote the Progress of ... useful Arts, by securing for limited Times to ... inventors the exclusive Right to their respective ... Discoveries").

The BRI standard unbalances the "carefully crafted bargain" that Congress struck between the interests of the Nation's inventors and the public at large. In essence, the BRI standard expands the scope of the claims under examination from the scope that an inventor seeks to patent. The PTO then forces the inventor to defend the patentability of that expanded claim scope. Finally, after the inventor successfully defends the patentability of the expanded claim

scope, the court only enforces the narrower scope of protection. In sum, the PTO forces inventors to defend the patentability of more than they seek to patent and, in return, the PTO grants a property right to less than inventors successfully defended as patentable. Such distortion in claim construction violates the "carefully crafted bargain" that Congress struck in patent law.

Dual claim-construction standards cannot pass muster as sound policy embodied in non-statutory law. Supreme Court precedents in the field of patent law emphasize fidelity to the statute, at least because Congress has the primary duty, within constitutional limits, to regulate the innovation economy. "This Court has 'more than once cautioned that courts "should not read into the patent laws limitations and conditions which the legislature has not expressed."'" *Bilski* v. *Kappos*, 561 U.S. 593, 602 (2010) (*quoting Diamond* v. *Diehr*, 450 U.S. 175, 182 (1981) (*in turn quoting Diamond* v. *Chakrabarty*, 447 U.S. 303, 308 (1980))). The PTO's creation of a separate standard for claim construction violates those repeated commands from this Court, because the separate claim-construction standard creates an extra condition for patentability, *i.e.*, the condition that the PTO will grant a patent only if the inventor succeeds in defending the patentability of the "broadest" claim scope permissible under the BRI standard. The BRI standard has no meaningful connection to the statutory plan.

The BRI standard's long history of approval by the lower courts, relied on by the Federal Circuit majority below, does not require continuing a flawed and unapproved policy. In the field of patent law, this Court has not hesitated to reverse longstanding Fed-

eral Circuit tests that flout the statutory plan or result in illogical outcomes. *E.g.*, *Nautilus*, 134 S. Ct. (reversing longstanding "insolubly ambiguous" test for indefiniteness); *Highmark Inc.* v. *Allcare Health Management*, 134 S. Ct. 1744 (2014) (reversing longstanding *de novo* standard of review); *Octane Fitness* v. *Icon Health & Fitness*, 134 S. Ct. 1749 (2014) (reversing longstanding "inappropriate conduct or bad faith" test for fee shifting); *KSR Intern. Co.* v. *Teleflex Inc.*, 550 U.S. 398 (2007) (reversing use of the longstanding "teaching-suggestion-motivation" test as the sole test for obviousness).

C. Lower courts have approved the BRI standard despite inconsistent contrary rulings.

The Federal Circuit and its predecessor court have approved the PTO's use of the BRI standard. *See generally In re Morris*, 127 F.3d 1048 (Fed. Cir. 1997).[2] Yet the Federal Circuit has internally conflicting precedent. For example, the Federal Circuit

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[2] The seminal Federal Circuit explanation of the litigation standard for claim interpretation is *Phillips* v. *AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (*en banc*). The Federal Circuit has attempted to minimize the difference between the two claim-construction standards from time to time, including recently, after *certiorari* was granted here. *See, e.g.*, *TriVascular v. Samuels*, No. 15-1631 (Fed. Cir. Feb. 5, 2016). Nevertheless, the PTO has admitted that the BRI standard is meaningfully different. Manual Pat. Exam. Proc. § 2111 (9th ed. Oct. 2015) ("the Office does not interpret claims in the same manner as the courts"); 77 Fed. Reg. 48680, 48697 (Aug. 14, 2012) ("the Federal Circuit has acknowledged the longstanding practice that the patent system has two claim construction standards, the 'broadest reasonable interpretation' standard applied to Office's proceedings, and that used by district courts in actions involving invalidity and infringement issues").

has held that "[c]laims may not be construed one way in order to obtain their allowance and in a different way against accused infringers." *Southwall Technologies, Inc. v. Cardinal IG Co.*, 54 F.3d 1570, 1576 (Fed. Cir. 1995). The PTO violates this Federal Circuit precedent by systematically construing claims one way under the BRI rule in judging allowability, even though the district courts will construe the same claims a different way in judging infringement.

Similarly, the Federal Circuit *en banc* held that a long history of deviating from the statute offered no valid excuse for the PTO to construe patent claims more broadly than the courts under the special rule of 35 U.S.C. § 112(6) (now § 112(f)):

> The fact that the PTO may have failed to adhere to a statutory mandate over an extended period of time does not justify its continuing to do so.... The fact that paragraph six does not specifically state that it applies during prosecution in the PTO does not mean that paragraph six is ambiguous in this respect. Quite the contrary, we interpret the fact that paragraph six fails to distinguish between prosecution in the PTO and enforcement in the courts as indicating that Congress did not intend to create any such distinction.

In re Donaldson Co., 16 F.3d 1189, 1194 (Fed. Cir. 1994) (*en banc*). Remarkably, the Federal Circuit chastised the PTO for creating a different claim-construction standard than the courts use in the context of § 112(f) without recognizing that the same reasoning would undermine the BRI standard in general, outside of the narrower context of § 112(f).

This case provides an opportunity for the Court to complete the reasoning in *Donaldson* by observing that the PTO should construe claims in the same manner as the courts, because the PTO grants the same property rights that the courts enforce. At least, the Court may explicitly state that its decision in this case does not approve the PTO's practice of applying the BRI standard in any context.

D. Intervening actions by Congress and this Court undermine the ostensible justifications for the BRI standard.

The ostensible justification for the BRI standard is that it simply forces applicants to clarify their claims through amendments. *See In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1990) ("The reason is simply that during patent prosecution when claims can be amended, ambiguities should be recognized, scope and breadth of language explored, and clarification imposed."). The implication is that, during prosecution, amending claims is harmless: It adds clarity, which benefits the public, yet costs an applicant little or nothing. Even if that reasoning had some validity when the BRI standard first emerged roughly a century ago, intervening acts by Congress and decisions of this Court have undermined the reasoning. Under modern law, claim amendments have significant adverse consequences for the Nation's inventors.

1. As an initial matter, it is unnecessary for the PTO to create an additional legal mechanism to improve the clarity of patents. Congress has already established a single standard for the clarity of patent claims. 35 U.S.C. § 112(b). This Court recently explained that Congress's standard strikes a careful balance between the interests of inventors and the

public at large: "The definiteness requirement, so understood, mandates clarity, while recognizing that absolute precision is unattainable." *Nautilus*, 134 S. Ct. at 2129.

The PTO's application of the BRI standard distorts that careful balance, by requiring inventors either to defend a claim scope that the PTO has artificially inflated or to amend their claims for the purpose of extra clarity even if they already satisfy the *Nautilus* standard.[3] Typically, to obtain allowance of a claim rejected using the BRI standard, the applicant must amend the claim to overcome prior art, even though the original claim does not read on the prior art under the narrower standard used in court, and even if the claim's scope is sufficiently clear under *Nautilus*. In other words, the PTO's ability to enter a rejection under 35 U.S.C. § 112(b), in accordance with this Court's guidance in *Nautilus*, is sufficient to address concerns about claim clarity and overbreadth.

2. Moreover, it is no longer true that amendments cost applicants nothing. First, at the start of the 20th century, the PTO liberally granted applicants the right to amend patent claims. Since then, the PTO has adopted a policy of "compact prosecution." *See* U.S. Dep't. of Commerce, New Examining Procedures, 781 Off. Gaz. Pat. Office 1 (Aug. 7, 1962). This policy sharply limited the number of amendments that patent applicants could make by right without filing a continuation application. Second, in 1995 Congress began measuring patent term with refer-

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[3] The PTO's entire chain of reasoning for expanding claim scope to ensure claim clarity makes the fundamental mistake of confusing breadth with indefiniteness. "Breadth is not indefiniteness." *In re Gardner*, 427 F.2d 786, 788 (C.C.P.A. 1970).

ence to the filing date rather than the grant date. Uruguay Round Agreements Act, Pub. L. 103-465, 108 Stat. 4809 (1994). One consequence of this statutory change is that claim amendments typically shorten the enforceable term of the patent. Third, Congress promulgated a law that generally results in the publication of patent applications 18 months after filing. American Inventors Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501. In exchange for revealing previously secret inventions to the public before patent issuance, Congress also created "provisional rights" for inventors whose published, claimed inventions are used before the patent issues. 35 U.S.C. § 154(d). Yet claim amendments, which are the natural result of the PTO's BRI standard, generally negate those provisional rights. 35 U.S.C. § 154(d)(3). Fourth, in *Festo* v. *Shoketsu*, 535 U.S. 722 (2002), this Court recognized a presumptive bar to in inventor's use of the doctrine of equivalents when the patent applicant had amended the claims to overcome a rejection at the PTO. Thus, after *Festo*, claim amendments will sacrifice claim scope traditionally protected under the doctrine of equivalents. *See Warner-Jenkinson Co.* v. *Hilton Davis Chemical Co.*, 520 U.S. 17 (1997) (reaffirming the availability of the doctrine of equivalents).

3. The PTO applies the BRI standard not only in original prosecution but also in PTO procedures after patent grant, when the adverse consequences of these amendments are even more costly to inventors. *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984) (reexamination); *In re Reuter*, 651 F.2d 751, 756 (CCPA 1981) (reissue). If an inventor is forced to amend an *issued* patent to avoid a BRI-based art rejection, but would not have needed to amend had the

PTO used court claim-construction principles, the results can be dire. Traditionally the common law provided intervening rights for accused infringers who can escape liability when patent owners amend their issued patents. *See Sontag Chain Stores Co.* v. *Nat'l Nut Co.*, 310 U.S. 281, 293-95 (1940) (discussing history and policy behind the common law rule). Congress codified intervening rights in the Patent Act. *See* 35 U.S.C. § 252 (reissue), § 307(b) (reexamination), and § 318(c) (IPR). The PTO's use of BRI to require unnecessary amending of issued patents harms inventors by causing loss of infringement damages through the intervening rights defense.

II. Having two different standards for claim construction causes practical problems.

A. In practice, the BRI standard complicates patent examination and systematically results in overbroad claim constructions.

The experiences of NAPP members show that the BRI standard complicates patent examination. Members perceive that BRI is subject to misinterpretation and systematic misuse by PTO examiners. In practice, many rejections at the PTO rely on overbroad interpretations of claim terms. Examiners naturally focus on the modifier "broadest" while ignoring the qualifier "reasonable." For example, an examiner might interpret the words "transparent film" for a food packaging film to mean "transparent to X-rays," even if the context in the patent specification involves a film that is opaque to the human eye. Unsurprisingly, examiners often ignore the context of the specification and commonly adopt implausible, albeit sometimes creative, definitions of claim terms. In practice, the accompanying instruction for the

claim construction to be "reasonable" does not constrain examiners; after all, examiners naturally tend to think that their interpretations are reasonable.

An inventor can challenge an examiner's claim construction by appeal, either to the PTO's Patent Trial & Appeal Board or the courts, 35 U.S.C. §§ 134, 141, 145, but at high cost and with long delay. http://www.uspto.gov/dashboards/patenttrialandappealboard/main.dashxml (most intra-agency appeals have had more than 14 months' waiting time after briefing). Accordingly, pragmatic applicants often amend their claims simply to placate unreasonable examiners and to avoid the cost and delay of appeal.

When applicants do appeal examiners' claim constructions under the BRI standard, the outcomes can be unpredictable. The words "broadest" and "reasonable" are in inherent tension with one another, which naturally results in variable or even outcome-oriented decision making at the PTO's appeal board.[4]

In addition to the lost rights outlined above in terms of patent term and claim scope, claim amendments during patent examination cause other practical problems. A claim amendment forced by overbroad use of the BRI standard results in a needless filing, which results in further legal fees and delays

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[4] The PTO's appeal board does not always fix the problem of "unreasonable" claim constructions, as evidenced by a regular series of Federal Circuit reversals finding PTO BRI-based claim constructions overbroad even after intra-agency appeals. *E.g.*, *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015); *In re Suitco Surface, Inc.*, 603 F.3d 1255, 1260 (Fed. Cir. 2010); *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009). Of course, many inventors cannot afford the cost and years of delay of a two-level appeal to overturn BRI-based rejections.

the issuance of the patent, not to mention taxing PTO resources.

NAPP members also report that amendments necessitated by the BRI standard often complicate claim language, such as by inserting extra words to make explicit what readers understand anyway. Lay people often criticize patents claims as being hard to understand, and the PTO's use of the BRI standard contributes to that perception.

B. The use of two claim-construction standards complicates litigation and creates agency/court conflicts.

Another set of adverse consequences of dual claim-construction standards is that the PTO is not bound by court rulings. *See In re Baxter Intern., Inc.*, 678 F.3d 1357 (Fed. Cir. 2012) (cancelation of claims in reexamination upheld despite contrary district court decision); *In re Construction Equipment Co.*, 665 F.3d 1254 (Fed. Cir. 2011) (cancelation of claims in reexamination upheld despite previous rejection of invalidity argument in parallel appeal from district court). The Federal Circuit has even gone so far as to vacate sizable damages awards after the PTAB cancels claims that the Federal Circuit previously enforced. *See, e.g., Fresenius USA, Inc.* v. *Baxter Intern., Inc.*, 721 F.3d 1330 (Fed. Cir. 2013) (vacating $23 million district court judgment based on later PTO invalidity decision). The Federal Circuit justifies this reversal of fortune based largely on the PTO's application of different standards than courts. *In re Baxter*, 678 F.3d at 1364-65. The PTO makes no secret of its view that the BRI standard enables examiners to act contrary to a federal court's claim-construction ruling. Manual Pat. Exam. Proc.

§ 2258(I)(G) (9th ed. Oct. 2015) ("Where there is related litigation and a federal court has made a judicial interpretation of a disputed claim term, the examiner in treating the disputed claim term should set forth his or her reasoning by, for example, acknowledging the judicial interpretation and assessing whether the judicial interpretation is consistent with the broadest reasonable construction of the term."). In essence, the BRI standard creates an entirely separate body of claim-construction law, with the PTO and the federal courts largely sailing past each other in the night, despite this Court's previous emphasis on uniformity in claim construction.

The PTO even takes the remarkable position that the claims of a given patent can suddenly shift in scope when the patent expires, even though the patent can still be enforced after expiration during the statute of limitations provided by 35 U.S.C. § 286. *See Cuozzo*, 793 F.3d at 1276, n. 6 ("The claims of an expired patent are the one exception where the broadest reasonable interpretation is not used").

These consequences—all of which derive from the use of two different standards—result in deviations from the usual rules of litigation finality and repose. A two-bite-at-the-apple system works against inventors, who might defend their patents in court only to see them invalidated in the PTO on the same ground. This asymmetric system increases litigation cost and length and warps the constitutional policy of promoting invention.

The IPR process for which the Director advocates offers a similarly asymmetric "two-bite" system, likewise uniformly harmful to inventors. The IPR process, under the PTO's rules and interpretations,

literally invites a regular situation where the PTO would use BRI to judge validity, but if the patent survives, the district court would likely ignore the PTO construction and use a narrower construction of the same claim language, even when the court is asked to judge a losing IPR petitioner's non-infringement defense.

Dual processes also encourage collateral litigation processes. After all, if different forums apply different standards, then more fights will erupt about decision making authority, standards and burdens of evidence, standards of review, etc. For example, disputes about litigation stays pending PTO post-grant processes will increase. Similarly, when stays cannot be or should not be granted, wasteful parallel proceedings will become more frequent.

Such distortion of claim scope can result in unfairness to all parties involved in the patent system: inventors, accused infringers, and the rest of the public. Artificially broadening claim scope during examination makes patent procurement unduly hard for inventors. Conversely, narrowing claim scope in court by rejecting the examiner's interpretation under the BRI interpretation makes it more difficult for inventors to prove infringement and for accused infringers to prove invalidity. In the meantime, all parties have less notice of their actual rights because the intrinsic record is less reliable than it would be under a unitary standard of claim construction. One cannot always predict which party will benefit the most, but one can conclude that it would be fairer for the PTO and the courts simply to use the same claim-construction standard.

CONCLUSION

For the foregoing reasons, NAPP respectfully encourages the Court to find for Cuozzo on the first question by holding that the PTAB should construe claims in IPR proceedings in the same manner as the federal courts do when enforcing patent rights. More generally, NAPP invites the Court to hold, consistent with its precedents, that there is only a single correct standard for claim construction, *i.e.*, the in-court standard described in *Phillips* v. *AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (*en banc*). If the Court decides the first question on narrower grounds, such as the limited availability of amendments during IPR proceedings, then NAPP respectfully requests this Court to confirm explicitly that its opinion does not foreclose a future challenge to the PTO's use of the BRI standard generally.

Respectfully submitted,

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IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF THE ARGUMENT 2

ARGUMENT 5

I. Whether an *Ultra Vires* Institution of IPR is Reviewable is an Issue of Exceptional Importance 5

A. It is Improper for the PTO to Invalidate Patents on Grounds Outside Its Statutory Authority to Do So 5

B. On Appeal of a Final Decision in an IPR, the Federal Circuit May Review Whether the PTO Exceeded its Authority in Instituting the IPR 7

C. There is an Intra-Circuit Split in the Federal Circuit 11

D. The Decision Here Leaves No Meaningful Avenue of Relief When the PTO Exceeds its Authority 13

II. The Appropriate Claim Construction Standard for IPR is Also a Critical Issue That Divided the Federal Circuit and Warrants Review 15

III. This Case is an Ideal Vehicle for the Court to Resolve These Critical Issues 20

CONCLUSION 22

TABLE OF AUTHORITIES

Page(s)

Cases

Bowen v. Mich. Acad. of Family Physicians,
476 U.S. 667 (1986) 9

Burlington Indus., Inc. v. Quigg,
822 F.2d 1581 (Fed. Cir. 1987) 16

In re Dominion Dealer Solutions, LLC,
749 F.3d 1379 (Fed. Cir. 2014) 7

Dunlop v. Bachowski,
421 U.S. 560 (1975) 9

East Texas Motor Freight Lines, Inc. v. Frozen Food Express,
351 U.S. 49 (1956) 9

Kerr v. United States Dist. Court for Northern Dist.,
426 U.S. 394 (1976) 14

Mach Mining, LLC v. E.E.O.C.,
135 S. Ct. 1645 (2015) 8, 9

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005) 17, 18, 19, 20

In re Rambus, Inc.,
753 F.3d 1253 (Fed. Cir. 2014) 18

In re Reuter,
670 F.2d 1015 (CCPA 1981) 16

In re Skvorecz,
580 F.3d 1262 (Fed. Cir. 2009) 17

St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.,
749 F.3d 1373 (Fed. Cir. 2014) 7

Versata Dev. Grp., Inc. v. SAP America, Inc.,
793 F.3d 1306 (Fed Cir. 2015) 12, 13, 14, 15

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984) 16, 17

Statutes

35 U.S.C. § 141(c) 12

35 U.S.C. § 311(a) 5

35 U.S.C. § 312(a)(3) 5, 11

35 U.S.C. § 313 6

35 U.S.C. § 314(a) 6

35 U.S.C. § 314(d) ..... *passim*

35 U.S.C. § 316(d) 18

35 U.S.C. § 318(a) 10

35 U.S.C. § 319 ..... 7, 8, 9, 11

35 U.S.C. § 321(a) 12

35 U.S.C. § 324(a) 12

35 U.S.C. § 324(e) 12

America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) 3, 12

Regulations

37 C.F.R. § 42.104(b)(2) 6

37 C.F.R. § 42.108 6

37 C.F.R. § 42.221(a)(3) 19

37 C.F.R. § 42.221(c) 18

Other Authorities

Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board; Proposed Rules, 80 Fed. Reg. 50,720 (Aug. 20, 2015) 19, 20

Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. Chi. L. Rev. Dialogue 93, Appendix B (2014) 4

H.R. Rep. No. 112-98, pt. 1 (2011) 8

Perkins Coie, *Inter Partes Review Proceedings: A Third Anniversary Report* (Sept. 2015), *available at* https://www.perkinscoie.com/en/news-insights/inter-partes-review-proceedings-a-third-anniversary-report.html 4

U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics (Sept. 30, 2015), *available at* http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf 4

S. Rep. No. 79-752 (1945) 9

Sup. Ct. R. 37.2(a) 1

Sup. Ct. R. 37.6 1

INTEREST OF *AMICUS CURIAE*[1]

The New York Intellectual Property Law Association ("NYIPLA") is a bar association of more than 1,300 attorneys who practice in the area of patent, copyright, trademark and other intellectual property ("IP") law.[2] It is one of the largest regional IP bar associations in the United States. Its members include in-house counsel for businesses and other organizations, and attorneys in private practice who represent both IP owners and their adversaries (many of whom are also IP owners). Its members represent inventors, entrepreneurs, businesses, universities, and industry and trade associations. They regularly participate in patent litigation on behalf of both plaintiffs and defendants.

Directly relevant to the issues here, the NYIPLA's members regularly represent parties—including both patent owners and validity challengers—in inter partes review ("IPR") proceedings before the Patent Trial and Appeal Board ("PTAB") of the U.S. Patent and Trademark Office ("PTO"). The NYIPLA thus brings an informed perspective to the issues presented.

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[1] Pursuant to Sup. Ct. R. 37.6, the NYIPLA and its counsel represent that they have authored the entirety of this brief, and that no person other than the *amicus curiae* or its counsel has made a monetary contribution to the preparation or submission of this brief.

[2] Pursuant to Sup. Ct. R. 37.2(a), Respondent's written consent to this filing is submitted herewith. Petitioner consented to the filing of *amicus curiae* briefs in support of either party or neither party in a docket entry dated October 20, 2015.

Because of the increasing prevalence of IPR proceedings, and the importance of such proceedings to patent owners and validity challengers alike, the NYIPLA's members and their clients have a strong interest in the issues presented in this case.[3]

SUMMARY OF THE ARGUMENT

This Petition presents two issues of exceptional importance to patent owners and to those who challenge a patent's validity in IPR proceedings.

One issue concerns the availability of judicial review when the PTO institutes an IPR in violation of explicit statutory constraints, and thereafter renders patent claims invalid in a proceeding that was *ultra vires* from the outset. A divided Panel of the Federal Circuit held that such agency conduct is immune from judicial scrutiny, even on appeal from a final decision rendered by the PTO pursuant to an improperly instituted IPR.

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[3] The arguments made in this brief were approved by an absolute majority of NYIPLA's officers and members of its Board of Directors, but do not necessarily reflect the views of a majority of the members of the Association, or of the law or corporate firms with which those members are associated. After reasonable investigation, the NYIPLA believes that no officer or director or member of the Amicus Briefs Committee who voted in favor of filing this brief, nor any attorney associated with any such officer, director or committee member in any law or corporate firm, represents a party to this litigation. Some officers, directors, committee members or associated attorneys may represent entities, including other *amici curiae*, which have an interest in other matters that may be affected by the outcome of this litigation.

The Panel majority's holding turns the statutory limits on the PTO's ability to institute an IPR into a toothless nullity, and contravenes precedent of this Court establishing a strong presumption in favor of judicial review of agency action. The NYIPLA urges this Court to grant certiorari to review this important issue.

The other Question Presented concerns the standard that governs claim construction in IPR proceedings, i.e., whether the applicable standard should be the one courts apply in determining the correct claim construction, or the "broadest reasonable interpretation ('BRI')" standard that the PTO applies in patent prosecution. The resolution of this issue can control the outcome of many IPR proceedings because claim construction frequently has a dispositive impact on validity determinations. This issue also is of exceptional importance, and warrants this Court's review.

The Court's consideration of these questions is particularly crucial at this juncture because of the increasing prevalence of IPR proceedings. Following the enactment of the America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011), the number of IPR proceedings has grown exponentially. To a large and increasing extent, IPRs are supplanting district court litigation as the forum for resolving issues of patent validity based on the prior art.

Statistics available on the PTO's website illustrate this point. In the first three years since IPRs became available, more than 3500 IPR petitions were filed, and for those not settled or withdrawn before an institution decision, the PTO instituted

review more than 70% of the time. *See* PTAB Statistics, Sept. 30, 2015, at pp. 2, 4, 7, U.S. Patent and Trademark Office, *available at* http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf (last accessed Nov. 5, 2015). In 499 of the 575 IPR trials that have reached a final decision, the PTO invalidated some or all of the challenged claims. *Id.* at 9. As a result, validity challengers are increasingly seeking to institute IPR proceedings, instead of presenting obviousness and anticipation defenses in district court litigation.[4]

In light of the increasing utilization of this new and especially potent avenue for patent challenges, guidance from this Court is needed to make clear that judicial review is available when the PTO institutes an IPR proceeding and invalidates patent claims in violation of its statutory authority, and to determine the claim construction standard that the PTO should apply to determine patent validity.

In this case, the Panel was split 2-1 with a vigorous dissent on both issues, and the Federal

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[4] The vast majority of IPR proceedings take place in parallel to co-pending district court litigation. *See* Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. Chi. L. Rev. Dialogue 93, Appendix B (2014) (reporting that through March 2014, 78.8% of IPR proceedings had co-pending litigation); Perkins Coie, *Inter Partes Review Proceedings: A Third Anniversary Report*, at pp. 5, 7 (Sept. 2015), available at https://www.perkinscoie.com/en/news-insights/inter-partes-review-proceedings-a-third-anniversary-report.html (last accessed Nov. 5, 2015) (reporting that 90.9% of the IPR petitions filed through August 17, 2015 had co-pending district court litigation).

Circuit then split 6-5 in denying a petition for rehearing en banc. This sharp division in the Federal Circuit adds to the reasons for immediate review by this Court of these critically important questions, rather than waiting for even more conflicting panel decisions to develop.

ARGUMENT

I. Whether an *Ultra Vires* Institution of IPR is Reviewable is an Issue of Exceptional Importance

This Court should grant the petition for a writ of certiorari to clarify that PTO decisions invalidating patents on grounds that exceed the PTO's statutory authority are subject to judicial review, not immune from it.

A. It is Improper for the PTO to Invalidate Patents on Grounds Outside Its Statutory Authority to Do So

The process of instituting IPR proceedings under the AIA begins with the filing of a petition by the validity challenger. *See* 35 U.S.C. § 311(a). The AIA sets strict requirements for such petitions. For example, the AIA requires that the petition must identify "*with particularity ... the grounds* on which the challenge to each claim is based, and the *evidence that supports the grounds* for the challenge to each claim." 35 U.S.C. § 312(a)(3) (emphasis added).

The applicable regulations likewise recognize that a petitioner seeking inter partes review must

specify the "specific statutory grounds under 35 U.S.C. 102 or 103 on which the challenge to the claim is based and the patents or printed publications relied upon for each ground." 37 C.F.R. § 42.104(b)(2).

These requirements ensure, *inter alia*, that patent owners are on notice of the basis for a invalidity challenge and in a position to submit a preliminary response in opposition to the petition, as permitted by 35 U.S.C. § 313.

The PTO may only institute an IPR proceeding based on "the information presented in the petition" and any response thereto. 35 U.S.C. § 314(a).[5] It is improper for the PTO to institute an IPR—and proceed to issue a final decision adjudicating the validity of patent claims—on grounds that do not appear in the petition. The AIA could not be more explicit on this point. The PTO must exercise its authority to institute an IPR within the confines of statutory requirements imposed by the AIA.

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[5] *See id.* ("The Director may not authorize an inter partes review to be instituted unless the Director determines that *the information presented in the petition filed under section 311 and any response filed under section 313* shows that there is a reasonable likelihood that the petitioner would prevail *with respect to at least 1 of the claims challenged in the petition.*") (emphases added). The Director of the PTO has delegated this authority to the PTAB. *See* 37 C.F.R. § 42.108.

B. On Appeal of a Final Decision in an IPR, the Federal Circuit May Review Whether the PTO Exceeded its Authority in Instituting the IPR

The AIA provides that the Federal Circuit may review final decisions in an IPR. 35 U.S.C. § 319. Although the AIA does not permit interlocutory appeals from decisions to institute an IPR, nothing in the statute precludes the Federal Circuit from considering whether the patent was found invalid on grounds exceeding the PTO's authority in a proceeding that was unlawfully instituted.

The prohibition on interlocutory appeals of decisions to institute an IPR is set out in § 314(d) of the AIA:

> (d) NO APPEAL.— The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

35 U.S.C. § 314(d).

As Judge Newman explained in her dissent in this case, "[t]he stated purpose" of this provision "is to control interlocutory delay and harassing filings." App., 46a. (Newman, J., dissenting). Until the Panel decision here, this provision operated to: (a) bar appellate review of decisions *not* to institute IPR proceedings, and (b) bar *interlocutory* appeals of decisions to institute such proceedings. *See St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375-76 (Fed. Cir. 2014); *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379, 1381 (Fed.

Cir. 2014). For the former, this provision helps to ensure that IPRs do not become a "tool for harassment" through "repeated litigation and administrative attacks" on patent validity. *See* H.R. Rep. No. 112-98, pt. 1, at 48 (2011). For the latter, it reflects the reality that an interlocutory appeal serves no purpose if the proceeding is subsequently dismissed or denied on the merits.

When the Federal Circuit reviews a final decision in an IPR, this provision cannot properly be read to preclude consideration of whether the PTO violated statutory requirements in instituting the IPR proceeding and in extinguishing patent rights in a proceeding that was *ultra vires* from the outset. Any other rule would turn the AIA's limits on the PTO's ability to initiate an IPR into a nullity.

The Panel decision runs counter to the express language of § 314(d). The very title of § 314(d)—"*No Appeal*"—confirms that it is inapplicable to appeals that are expressly authorized by § 319 of the AIA, which is entitled "Appeal." Section 319 permits an appeal from any "final written decision" in an IPR. Section 314(d) cannot properly be read to narrow the issues that can be raised in an appeal that is authorized by § 319.

The Panel decision also runs counter to established precedent of this Court, which has repeatedly held that there is a "strong presumption" against the unreviewability of agency action. *Mach Mining, LLC v. E.E.O.C.*, 135 S. Ct. 1645, 1651 (2015). "Congress rarely intends to prevent courts from enforcing its directives to federal agencies," and an agency "bears a 'heavy burden' in attempting to

show that Congress 'prohibit[ed] all judicial review' of the agency's compliance with a legislative mandate." *Id.* (quoting *Dunlop v. Bachowski*, 421 U.S. 560, 567 (1975)).

Congress likewise has explained that its policy has never been "to prevent the administration of its own statutes from being judicially confined to the scope of authority granted or to the objectives specified," since doing so would in effect give the agency a "blank check" to expand its authority at will. S. Rep. No. 79-752, at 26 (1945); *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 671 (1986) (quoting the same). Therefore, "'[o]nly upon a showing of "clear and convincing evidence" of a contrary legislative intent should the courts restrict access to judicial review.'" *Dunlop v. Bachowski*, 421 U.S. at 567 (quoting *Abbott Labs. v. Gardner*, 387 U.S. 136, 141 (1967)).

Neither § 314(d) nor anything else in the AIA overcomes this strong presumption in favor of judicial review. Rather, in the AIA Congress "placed limits on [the agency's] statutory powers"; a court's "duty on judicial review is to determine those limits," and ensure that they are not exceeded. *East Texas Motor Freight Lines, Inc. v. Frozen Food Express*, 351 U.S. 49, 54 (1956). Congress did not intend the prohibition on interlocutory review set out in § 314(d) to serve as a blank check that would allow the PTO to freely rewrite its statutory authority, and to institute and decide IPRs on grounds not permitted by the AIA. To the contrary, § 319 ensures that if the PTO exceeds its statutory authority in invalidating patent claims, these issues are subject

to review by the Federal Circuit in an appeal taken from a final decision.

Section 318(a) of the AIA, which the Panel majority cited, does not support a different conclusion. That section states that "if an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316 (d)." 35 U.S.C. § 318(a).

The Panel majority reasoned that this provision does not "expressly limit the [PTO's] authority at the final decision stage to the grounds alleged in the IPR petition." App., 7a. But this myopic interpretation ignores that Congress cabined the scope of IPRs by setting requirements for petitions, and limiting the PTO's authority to institute an IPR to the specific grounds set out in a petition.

Congress did not need to explicitly restate these fundamental limitations in § 318(a), since the PTO only has authority to issue a final decision in an IPR "instituted ... under this chapter," in accordance with those statutory requirements.

Nothing in § 318(a) renders irrelevant the statutory limits on the PTO's authority to institute an IPR proceeding, or gives the PTO authority to render a final decision adjudicating patent rights pursuant to a procedure that was *ultra vires* from the start.

Concluding otherwise, the Panel majority treated the "fact that the petition was defective [as] irrelevant because a proper petition *could have been drafted*." App., 9a (emphasis added). This makes a mockery of the statute and "sets a dubious precedent for responsible proceedings." App., 31a (Newman, J., dissenting). As discussed above, the AIA is explicit that an IPR proceeding can only be instituted if the petition states "*with particularity ... the grounds* on which the challenge to each claim is based, and the *evidence that supports the grounds* for the challenge to each claim." 35 U.S.C. § 312(a)(3) (emphases added). Under the AIA, the statutory test is whether the petitioner has presented proper grounds for instituting an IPR proceeding—not whether a *hypothetical petitioner* would have been able to draft a proper petition.

We are not suggesting that there should be interlocutory review of *ultra vires* institution decisions. But in reviewing a final IPR decision under § 319 of the AIA, the Federal Circuit may review whether the PTO exceeded its statutory authority by instituting the IPR and issuing a final decision on grounds not specifically set forth in the petition as required by the AIA. The Panel decision to the contrary is at odds with the letter and spirit of the AIA, on an issue of exceptional importance to both patent owners and validity challengers.

C. There is an Intra-Circuit Split in the Federal Circuit

The decision by the Panel majority has led to a split in the Federal Circuit—the exclusive avenue for

appellate jurisdiction in IPR proceedings. *See* 35 U.S.C. § 141(c).

One day after the Federal Circuit denied rehearing en banc in this case, a divided panel decided *Versata Dev. Grp., Inc. v. SAP America, Inc.*, 793 F.3d 1306 (Fed Cir. 2015), *reh'g and reh'g en banc denied*, No. 14-1194, Dkt. No. 151 (Fed. Cir. Oct. 15, 2015). Like this case, *Versata* also was an appeal from a final decision of the PTAB that invalidated certain patent claims. The agency procedure in *Versata* was not an IPR proceeding, but rather a closely similar transitional procedure for "covered business method" ("CBM") patents. *See* Pub. L. No. 112-29, § 18, 125 Stat. at 329-331.[6] As with IPR proceedings, a CBM review begins with a petition for review, and the PTO may institute review only on grounds set out in the petition. *See* 35 U.S.C. §§ 321(a), 324(a). Like the corresponding section on IPR proceedings, the section of the AIA on CBM proceedings includes a provision entitled "No appeal," 35 U.S.C. § 324(e), which states: "The determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable." 35 U.S.C. § 324(e). That section is identical to the corresponding section for IPR proceedings (§ 314(d), discussed above) except that it has the words "post-grant review" instead of the words "inter partes review."

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[6] Section 18 of the AIA is not codified. However, § 18(a)(1) provides that the transitional program "shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35, United States Code," subject to certain modifications. Pub. L. No. 112-29, § 18(a)(1), 125 Stat. at 329.

On appeal, the patent owner in *Versata* argued, *inter alia*, that the PTAB erred in determining that the patented invention qualified as a "covered business method" and in instituting post-grant review on that basis. Notwithstanding the Panel decision in this case, the *Versata* majority held that it had jurisdiction to consider this issue on appeal from a final decision because the error affected not only the decision to institute the CBM proceeding, but also the PTAB's authority in that proceeding to subsequently invalidate patent claims pursuant to the AIA's CBM provisions. *Versata*, 793 F.3d at 1318-22.

In his dissent in *Versata*, Judge Hughes correctly described the panel decision in *Versata* as in direct conflict with the Federal Circuit decision in this case. As he explained in his *Versata* dissent, both cases addressed "a predicate question of authority to invalidate," and reached conflicting decisions on whether a violation of that authority is ever reviewable. *Id.* at 1341 (Hughes, J., dissenting in part).

These divergent and irreconcilable decisions by divided panels, and indeed the 6-5 split on en banc review here, demonstrate the intra-circuit split on this question in the Federal Circuit, and the need for review by the Court to clarify this critical issue.

D. The Decision Here Leaves No Meaningful Avenue of Relief When the PTO Exceeds its Authority

Under the Federal Circuit decision in this case, the institution of IPR proceedings in violation

of the PTO's statutory authority would evade judicial review even after a final decision on grounds not specifically set forth in the petition, as required by the AIA.

The Panel majority identified mandamus as a possible avenue for challenging an improper PTO decision to institute IPR proceedings "where the PTO has clearly and indisputably exceeded its authority." App., 9a. That possibility is illusory. Under established Federal Circuit precedent, mandamus is not available to challenge an institution decision prior to a final decision, *id.*, 9a-10a (citing *In re Procter & Gamble Co.*,749 F.3d 1376, 1378-79 (Fed. Cir. 2014)), and the Panel majority suggests that § 314(d) might also bar mandamus after a final decision, *see id.* Moreover, even if potentially available, mandamus is a "drastic [remedy], to be invoked only in extraordinary situations," *Kerr v. United States Dist. Court for Northern Dist.*, 426 U.S. 394, 402 (1976), and thus rarely granted. The mere possibility of mandamus after a final decision is not sufficient to reliably provide relief each time the PTO exceeds its statutory authority. These issues are instead properly subject to judicial review during the statutorily-authorized direct appeal from a final decision.

In his *Versata* dissent, Judge Hughes suggested that a "bar on judicial review of institution decisions ... does not mean that patent owners are without recourse in the extreme case" since "[e]ven when a statute clearly demonstrates Congress intended to bar judicial review of agency action generally, courts have recognized an 'implicit and

narrow' exception for agency action that plainly violates an unambiguous statutory mandate." *Versata*, 793 F.3d at 1342 (Hughes, J., dissenting in part). This suggestion likewise would preclude review of *ultra vires* institution decisions after a final decision in all but the most extreme circumstances, and effectively abdicates the judicial function to determine and enforce the limitations on agency authority established by Congress.

In sum, neither mandamus nor an "extreme case" exception provides a meaningful alternative to direct review where the PTO has exceeded its statutory authority in instituting an IPR proceeding.

II. The Appropriate Claim Construction Standard for IPR is Also a Critical Issue That Divided the Federal Circuit and Warrants Review

This Court also should grant certiorari to hear the first Question Presented, concerning the standard for claim construction that the PTO should apply during IPR proceedings.

This too is a critical issue on which the Federal Circuit is sharply divided. Since claim construction can dictate the outcome on validity, this is an issue of "powerful consequence" for IPR adjudications, and in the proceedings below multiple *amici* "stress[ed] the importance of resolving this concern expeditiously." App., 62a-63a, 67a (Newman, J., dissenting) (citation omitted).

This Court's consideration of this question should be guided by the following inquiry: in an IPR

proceeding, does a patent owner have a sufficient opportunity to amend a claim in the event that the PTO's construction of the claim will render it invalid? As discussed below, this question has governed and should govern the appropriate claim construction standard.

During the iterative process of patent examination, the PTO applies the "broadest reasonable interpretation" ("BRI") test for claim construction. "The PTO broadly interprets claims during examination of a patent application since the applicant may amend his claims to obtain protection commensurate with his actual contribution to the art." *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984) (citation omitted). "Patent application claims are given their broadest reasonable interpretation during examination proceedings, for the simple reason that before a patent is granted the claims are readily amended as part of the examination process." *Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987) (citing *In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969)).

The objective of the BRI test is not to determine the single "actual meaning" of a claim, but rather to ascertain the outer boundaries of the claim and "reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified." *In re Reuter*, 670 F.2d 1015, 1015 (CCPA 1981) (quoting *In re Prater*, 415 F.2d 1393, 1404-05 (CCPA 1969)). As the Federal Circuit has explained:

> The protocol of giving claims their broadest reasonable interpretation

> during examination ... is solely an examination expedient, not a rule of claim construction. Its purpose is to facilitate exploring the metes and bounds to which the applicant may be entitled, and thus to aid in sharpening and clarifying the claims during the application stage, when claims are readily changed.

In re Skvorecz, 580 F.3d 1262, 1267 (Fed. Cir. 2009).

In contrast, during district court litigation, a patent owner is not permitted to amend the issued claims in dispute. *See Yamamoto*, 740 F.2d at 1572 ("An applicant's ability to amend his claims to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents.... This opportunity is not available in an infringement action in district court."). A district court accordingly determines the "ordinary meaning" of a challenged claim term to a person of ordinary skill in art pursuant to the guidelines for claim construction set forth in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314, 1321 (Fed. Cir. 2005) (en banc).

While the majority and dissent here agreed that the availability of amendment is an important consideration with respect to the appropriate standard for claim construction, they disagreed on how this factor applies to IPR proceedings.

The Panel majority recognized that the BRI test typically applies in post-examination procedures before the PTO, including patent reexaminations, reissues, and interferences. But the BRI standard is

appropriate because amendments are usually allowed in those proceedings, as in original examinations.

This tenet is borne out by circumstances in which the PTO does not apply the BRI standard. For example, when "a reexamination involves claims of an expired patent, a patentee is unable to make claim amendments." *In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014) (citations omitted). In those situations, the PTO does not apply the BRI standard and instead "applies the claim construction principles outlined by [the Federal Circuit] in *Phillips*." *Id.*

IPR proceedings are unlike the other types of PTO proceedings discussed above, because amendments to claims are sometimes possible in IPR proceedings, but—as Judge Newman observed in dissent—"[t]here is no *right* of amendment." App., 39a (Newman, J., dissenting) (emphasis added). In IPR proceedings (unlike original examinations) a patent owner cannot freely amend claims, but rather must move to amend and only one such motion is allowed as of right. *See* 35 U.S.C. § 316(d)(1).[7] The PTO's implementing regulations further restrict the ability to move for an amendment by requiring the patent owner to first confer with the PTO, and by setting a presumption "that only one substitute claim

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[7] In order to file additional motions to amend, a patent owner must obtain authorization from the PTAB. Such authorization may be provided only when there is "a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement." 37 C.F.R. § 42.221(c); *see* 35 U.S.C. § 316(d)(2).

would be needed to replace each challenged claim." *See* 37 C.F.R. § 42.221(a)(3).

In contrast to original patent examination, amendments are not freely granted. In fact, the PTO recently rejected suggested changes to its regulations which would have provided that "motions to amend should be liberally allowed," and considered on par with amendments during prosecution. *See* Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board; Proposed Rules, 80 Fed. Reg. 50,720, 50,723-24 (Aug. 20, 2015). The PTO explained that the AIA sets "statutory limitations for amendments" and thus "motions to amend cannot be entered in the same way as amendments that are entered during prosecution, which are not bound by such restrictions." *Id.*

Although the Panel majority recognized that "the opportunity to amend is cabined in the IPR setting," it stated that the possibility of amendment is "thus nonetheless available," and concluded that the BRI standard accordingly is appropriate for IPR proceedings. App., 17a. Judge Newman disagreed, concluding that the "restricted role of amendment in the America Invents Act proceedings comports with the intended and expected 'correct' claim construction, not the broadest claim construction." *Id.*, 39a-40a (Newman, J., dissenting).

Notably, the PTO recently proposed a change to its regulations that would require the PTO to apply the *Phillips* standard, rather than the BRI standard, in deciding whether to institute IPR proceedings for a narrow and discrete category of

claims, i.e., non-expired claims that will expire before a final decision. *See* 80 Fed. Reg. 50,720, 50,722, 50,743, 50,746-47 (Aug. 20, 2015). The PTO stated that application of the *Phillips* standard for construction of such claims is "appropriate," since "[s]uch patents *essentially lack any viable opportunity to amend the claims* in an AIA proceeding." 80 Fed. Reg. 50,722 (emphasis added).

The question presented here is whether, regardless of patent expiration, patent owners involved in an IPR proceeding truly have a "viable opportunity to amend the claims" that is sufficient to warrant application of the BRI standard, as opposed to the *Phillips* standard that applies in district court litigation and other circumstances in which there is no opportunity for amendment, or some other claim construction standard that the Court concludes is appropriate in light of the unique nature of IPR proceedings. This is a question of great significance, and guidance from this Court is sorely needed.

III. This Case is an Ideal Vehicle for the Court to Resolve These Critical Issues

The Questions Presented in this petition are critically important to patent owners, patent challengers, and the future viability of IPR proceedings. The proper scope of the PTO's authority to institute a proceeding and to invalidate claims, and the claim construction that it should apply to adjudicate validity, are matters that impact nearly every IPR proceeding.

Both issues are squarely presented in this case and have been fully developed through extensive

briefing by the parties and *amici*, as well as through multiple judicial opinions both at the Panel and rehearing stage in proceedings below. Moreover, just one day after the request for rehearing in this case was denied, an intra-circuit split arose in the Federal Circuit concerning the second Question Presented.

These issues will continue to arise in and influence the outcomes of IPRs, which are being filed and instituted at rapidly growing rates that have far exceeded all expectations. It is critical that this Court consider these questions at this juncture in order to resolve conflicting precedent in the Federal Circuit and establish clear guidelines and greater predictability for future proceedings.

CONCLUSION

This Court should grant the petition for a writ of certiorari on both of the Questions Presented.

Respectfully submitted,

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IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

ON A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF PETITIONER ON THE SECOND QUESTION PRESENTED AND IN SUPPORT OF NEITHER PARTY ON THE FIRST QUESTION PRESENTED

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF THE ARGUMENT 2

ARGUMENT 5

I. Ultra Vires Conduct by the PTO in Holding Claims Unpatentable in an IPR on Grounds Not Set Forth in the Petition is Subject to Judicial Review 5

A. The AIA Sets Strict Limits on the PTO's Ability to Institute and Decide Patentability in IPRs 5

B. There is a Strong Presumption in Favor of Judicial Review When an Executive Agency Violates its Statutory Authority 8

C. The AIA Does Not Provide Clear and Convincing Evidence that Congress Intended to Preclude Judicial Review of *Ultra Vires* Action by the PTO in Holding Claims Unpatentable on Grounds Not Raised in the Petition 10

D. The Majority's Rationales Cannot Withstand Scrutiny 14

1. Section 314(d) does not limit review of a final written decision. 14

2. Section 318(a) does not authorize the PTO to find claims unpatentable on grounds not raised in the petition. 15

TABLE OF CONTENTS
(continued)

Page

3. The Federal Circuit majority failed to apply the strong presumption favoring judicial review. 16

4. *Ultra vires* conduct does not become permissible merely because someone could have drafted a petition raising grounds that do not appear in the petition on which the PTO acted.. 17

E. The Federal Circuit's Decision Leaves No Meaningful Avenue of Relief When the PTO Exceeds its Authority 18

II. The Claim Construction Standard for IPR Proceedings Should be Informed by the Availability or Unavailability of Claim Amendments 21

III. This Court's Decision Will Have a Significant Impact on Innovation and Commerce Because of the Prevalence of IPR Proceedings 28

CONCLUSION 30

TABLE OF AUTHORITIES

Page(s)

Cases

Abbott Labs. v. Gardner,
387 U.S. 136 (1967) 9

Achates Reference Publ., Inc. v. Apple, Inc.,
803 F.3d 652 (Fed. Cir. 2015) 20

Behrens v. Pelletier,
516 U.S. 299 (1996) 12

In re Bigio,
381 F.3d 1320 (Fed. Cir. 2004) 22

Bowen v. Mich. Acad. of Family Physicians,
476 U.S. 667 (1986) 8, 10, 13, 16

Burlington Indus., Inc. v. Quigg,
822 F.2d 1581 (Fed. Cir. 1987) 22

Cheney v. United States Dist. Court for the Dist. of Columbia,
542 U.S. 367 (2004) 19

Click-to-Call Techs., LP v. Oracle Corp.,
622 Fed. Appx. 907 (Fed. Cir. 2015) 20

Cohen v. Beneficial Indus. Loan Corp.,
337 U.S. 541 (1949) 12

In re Dominion Dealer Solutions, LLC,
749 F.3d 1379 (Fed. Cir. 2014) 10

Dunlop v. Bachowski,
421 U.S. 560 (1975) 9, 13

TABLE OF AUTHORITIES
(continued)

Page(s)

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515 U.S. 417 (1995) 10, 17

Kerr v. United States Dist. Court for Northern Dist.,
426 U.S. 394 (1976) 19

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502 U.S. 215 (1991) 16

Kucana v. Holder,
558 U.S. 233 (2010) ..... *passim*

Lindahl v. OPM,
470 U.S. 768 (1985) 9, 17

Mach Mining, LLC v. E.E.O.C.,
135 S. Ct. 1645 (2015) ..... *passim*

Nike, Inc. v. Adidas AG,
No. 14-1719, 2016 U.S. App. LEXIS 2376
(Fed. Cir. Feb. 11, 2016) 25

Panel Claw, Inc. v. Sunpower Corp.,
IPR2014-00386, Paper 7
(P T.A.B. June 30, 2014) 27

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005) (en banc) .... *passim*

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415 F.2d 1393, 1404-05 (C.C.P.A. 1969) 22

In re Rambus, Inc.,
753 F.3d 1253 (Fed. Cir. 2014) 23, 24

TABLE OF AUTHORITIES
(continued)

Page(s)

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509 U.S. 43, 63-64 (1993) 8

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670 F.2d 1015 (C.C.P.A. 1981) 22

Sightsound Techs., LLC v. Apple, Inc.,
809 F.3d 1307 (Fed. Cir. 2015) 19

In re Skvorecz,
580 F.3d 1262 (Fed. Cir. 2009) 22

Smartflash LLC v. Apple, Inc.,
621 F. App'x 995 (Fed. Cir. 2015) 21

Square, Inc. v. J. Carl Cooper,
IPR2014-00158, Paper 36
(P.T.A.B. May 8, 2015) 27

St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.,
749 F.3d 1373 (Fed. Cir. 2014) 11

Synopsys, Inc. v. Mentor Graphics Corp.,
No. 14-1516, 2016 U.S. App. LEXIS 2250
(Fed. Cir. Feb. 10, 2016) 26

United States v. Atl. Research Corp.,
551 U.S. 128 (2007) 16

Versata Dev. Group, Inc. v. SAP America, Inc.,
793 F.3d 1306 (Fed. Cir. 2015) 19

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984) 21, 22

TABLE OF AUTHORITIES
(continued)

Page(s)

Statutes

5 U.S.C. § 704 12

28 U.S.C. § 1291 12

28 U.S.C. § 1295(a)(4)(A) 11

35 U.S.C. § 102 6

35 U.S.C. § 141(c) 11

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35 U.S.C. § 311(a) 5

35 U.S.C. § 312(a) 2, 3, 6, 18

35 U.S.C. § 313 7

35 U.S.C. § 314(a) 2, 6, 16, 18

35 U.S.C. § 314(d) ..... *passim*

35 U.S.C. § 316 24

35 U.S.C. § 318(a) 11, 15, 16

35 U.S.C. § 319 ..... *passim*

America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) ..... *passim*

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H.R. Rep. No. 112-98, pt. 1, at 48 (2011) 12

S. Rep. No. 79-752, at 26 (1945) 8

TABLE OF AUTHORITIES
(continued)

Page(s)

Rules

37 C.F.R. § 42.104(b)(2) 6

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37 C.F.R. § 42.221(c) 24

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(January 31, 2016) 28

Stephen G. Breyer et al.,
ADMINISTRATIVE LAW AND REGULATORY
POLICY 777 (6th ed. 2006) 9

INTEREST OF *AMICUS CURIAE*[1]

The New York Intellectual Property Law Association ("NYIPLA") is a bar association of more than 1,300 attorneys who practice in the area of patent, copyright, trademark and other intellectual property ("IP") law.[2] It is one of the largest regional IP bar associations in the United States. Its members include in-house counsel for businesses and other organizations, and attorneys in private practice who represent both IP owners and their adversaries (many of whom are also IP owners). Its members represent inventors, entrepreneurs, businesses, universities, and industry and trade associations. They regularly participate in patent litigation on behalf of both plaintiffs and defendants.

The NYIPLA's members also regularly represent parties—including both petitioners and patent owners—in inter partes review ("IPR") proceedings before the Patent Trial and Appeal Board ("PTAB") of the U.S. Patent and Trademark Office ("PTO"). The NYIPLA thus brings an informed perspective to the issues presented.

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[1] Pursuant to Sup. Ct. R. 37.6, the NYIPLA and its counsel represent that they have authored the entirety of this brief, and that no person other than the *amicus curiae* or its counsel has made a monetary contribution to the preparation or submission of this brief.

[2] Pursuant to Sup. Ct. R. 37.3(a), Respondent's written consent to this filing is submitted herewith. Petitioner consented to the filing of *amicus curiae* briefs in support of either party or neither party in a docket entry dated February 3, 2016.

Because of the widespread use of IPRs, and the importance of such proceedings to patent owners and validity challengers alike, the NYIPLA's members and their clients have a strong interest in the issues presented in this case.[3]

SUMMARY OF THE ARGUMENT

1. The America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011), imposes strict limits on the PTO's authority in IPRs. It states that the PTO "*may not*" institute an IPR "*unless*" the "information in the petition" demonstrates that there is a reasonable likelihood that the petitioner will prevail in establishing that at least one challenged claim is unpatentable. 35 U.S.C. § 314(a) (emphasis added). The petition, in turn, must set forth "with particularity ... the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for [that] challenge ...." 35 U.S.C. § 312(a)(3). If a petition fails to meet these

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[3] The arguments made in this brief were approved by an absolute majority of NYIPLA's officers and members of its Board of Directors, but do not necessarily reflect the views of a majority of the members of the Association, or of the law or corporate firms with which those members are associated. After reasonable investigation, the NYIPLA believes that no officer or director or member of the Amicus Briefs Committee who voted in favor of filing this brief, nor any attorney associated with any such officer, director or committee member in any law or corporate firm, represents a party to this litigation. Some officers, directors, committee members or associated attorneys may represent entities, including other *amici curiae*, which have an interest in other matters that may be affected by the outcome of this litigation.

requirements, it may not "be considered" by the PTO. 35 U.S.C. § 312(a).

These provisions set clear limits on the PTO's authority. They ensure that the PTO will consider patentability in IPRs *only* on grounds raised in the petition and will not hold claims unpatentable on other grounds that the petition did not raise. If the PTO violates these statutory limits on its authority, its *ultra vires* conduct should (and must) be subject to judicial review, not immune from it.

In its 2-1 decision in this case, the Federal Circuit held that *ultra vires* action by the PTO, in instituting and deciding an IPR on grounds not raised in the petition, is not subject to judicial review on appeal from a final decision in an IPR. That conclusion is at odds with a long line of decisions by this Court. It turns the statutory limits on the PTO's authority into a toothless nullity and effectively gives the PTO a blank check to expand its authority beyond clear statutory limits without judicial constraint.

Administrative agencies are obligated to act within the statutory limits on their authority. If an agency violates those limits, its conduct is subject to judicial review absent clear and convincing evidence that Congress intended otherwise. The PTO is no exception. The AIA and its legislative history do not provide clear and convincing evidence that Congress intended *ultra vires* agency action by the PTO in holding claims unpatentable to be exempt from judicial review on appeal from a final written decision in an IPR. This Court should make clear that if the PTO holds claims unpatentable on

grounds not set forth in the petition, then that *ultra vires* conduct is subject to judicial review, not exempt from it.

Section 314(d) of the AIA, which the Federal Circuit majority relied upon, does not restrict judicial review of a final written decision. That provision is part of a section entitled "Institution of inter partes review." It states that "[t]he determination by the Director whether to institute an inter partes review ... shall be final and nonappealable." 35 U.S.C. § 314(d). By its express terms, § 314(d) applies to decisions on whether to institute inter partes review—not to appeals from a final written decision, which are governed by § 319. Nothing in § 319 or any other provision bars review of whether the PTO violated the statutory limits on its authority by holding claims unpatentable on grounds not set forth in the petition.

2. On the other Question Presented, the NYIPLA does not take a position on whether the standard for claim construction in IPRs should be the "broadest reasonable interpretation (BRI)" standard that the PTO applies in patent examination, the standard set forth in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc) that courts apply in patent infringement litigation, or some other standard. The NYIPLA submits that the decision on that issue should be informed by consideration of the extent to which amendments to claims are available in IPRs.

Applying the BRI standard can result in a claim construction that is broader than the construction yielded by applying the *Phillips*

standard, and a broader construction may in turn make some claims more vulnerable to an invalidity challenge. Applying the BRI standard nonetheless is appropriate in patent examination proceedings because those proceedings involve a back-and-forth between the applicant and the patent examiner, and applicants are freely able to amend their claims in examination to address validity issues that the examiner may raise. In contrast, there is no opportunity to amend claims in patent infringement litigation, and the application of the *Phillips* standard is appropriate in that context.

IPRs do not match either paradigm. In IPRs, patentees may not freely amend claims, but do have a very limited ability to move for claim amendments. Such motions are almost always denied. The appropriate standard for claim construction should be informed by the limited extent to which such amendments are available in IPRs.

ARGUMENT

I. *Ultra Vires* Conduct by the PTO in Holding Claims Unpatentable in an IPR on Grounds Not Set Forth in the Petition is Subject to Judicial Review

A. The AIA Sets Strict Limits on the PTO's Ability to Institute and Decide Patentability in IPRs

Under the AIA, the process for instituting an IPR begins with the filing of a petition seeking inter partes review. *See* 35 U.S.C. § 311(a). By statute, the

petition must identify "*with particularity ... the grounds* on which the challenge to each claim is based, and *the evidence that supports the grounds* for the challenge to each claim." 35 U.S.C. § 312(a)(3) (emphasis added).[4] A petition that does not meet this requirement may not "be considered" by the PTO. 35 U.S.C. § 312(a).

Section 314(a) limits the PTO's ability to institute an IPR. It states:

> The Director *may not* authorize an inter partes review to be instituted *unless* the Director determines that *the information presented in the petition* ... and any response [thereto] ... shows ... a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

35 U.S.C. § 314(a) (emphasis added).[5] Read in conjunction with § 312(a)(3), this section ensures

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[4] The applicable regulations likewise recognize that a petitioner seeking an IPR must specify the "specific statutory grounds under 35 U.S.C. 102 or 103 on which the challenge to the claim is based and the patents or printed publications relied upon for each ground." 37 C.F.R. § 42.104(b)(2).

[5] The Director of the PTO has delegated this authority to the PTAB. *See* 37 C.F.R. 42.108. The applicable regulations similarly provide that an IPR "*shall not be instituted* for a ground of unpatentability *unless* the [PTAB] decides that *the petition supporting the ground would demonstrate* that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable...." 37 C.F.R. § 42.108(c) (emphasis added).

that the PTO will institute and ultimately decide IPRs *only* on grounds set forth in the petition. This makes IPRs unlike patent examination proceedings, in which patent examiners search the prior art on their own initiative to identify grounds for rejecting claims as unpatentable.[6] In examinations, patent applicants have ample opportunity to distinguish prior art and respond to challenges by the examiner during the iterative, and often lengthy, examination process.

IPRs, by contrast, typically must be completed within one year and are purposely limited in scope to the grounds set forth in the initial petition. This ensures that patent owners are on notice from the outset of the grounds and evidence that are the basis for the invalidity challenge. A patent owner may then submit an initial response to the specific grounds for invalidity asserted in the petition, as permitted by the AIA, before the PTO determines whether to institute review on any or all of those grounds. *See* 35 U.S.C. § 313. Expanding the scope of an IPR beyond the grounds set forth in the petition

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[6] *See* Manual for Patent Examining Procedures ("MPEP") § 704.01 ("After reading the specification and the claims, the examiner searches the prior art."); *id.* § 706 ("With the results of the [examiner's] prior art search, ... the patent application should be reviewed and analyzed [by the examiner] ... to determine whether the claims [meet the statutory requirements for patentability by] defin[ing] a useful, novel, nonobvious, and enabled invention that has been clearly described in the specification."). The patent examiner has the "choice" of what prior art to rely upon, *id.* § 706.02(I), and what grounds to use as the basis for rejection, *see, e.g.*, *id.* § 706.02(a)(1)-(2).

contravenes the AIA, and is fundamentally unfair to patent holders.

The statutory limits discussed above are not merely suggestions. The PTO is obligated by statute to respect the limits Congress placed on its authority.

B. There is a Strong Presumption in Favor of Judicial Review When an Executive Agency Violates its Statutory Authority

As this Court has recognized, "Congress rarely intends to prevent courts from enforcing its directives to federal agencies." *Mach Mining, LLC v. E.E.O.C.*, 135 S. Ct. 1645, 1651 (2015). Congress ordinarily "intends [an administrative agency] to obey its statutory commands and ... expects the courts to grant relief when an executive agency violates such a command." *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 681 (1986). "'It has never been the policy of Congress to prevent the administration of its own statutes from being judicially confined to the scope of authority granted,'" since doing so would effectively give administrative agencies "'blank checks'" to expand their authority at will. *Id.* at 671 (quoting S. Rep. No. 79-752, at 26 (1945)).

"For that reason, this Court applies a 'strong presumption' favoring judicial review of administrative action." *Mach Mining*, 135 S. Ct. at 1651 (quoting *Bowen*, 476 U.S. at 670). "[T]he presumption favoring judicial review of administrative action" is "'well-settled,'" *Kucana v. Holder*, 558 U.S. 233, 251-52 (2010) (quoting *Reno v.*

Catholic Social Servs., Inc., 509 U.S. 43, 63-64 (1993)), and is "a familiar principle of statutory construction." *Id.* at 251.

Although this presumption is rebuttable, there is "a 'heavy burden' in attempting to show that Congress 'prohibit[ed] all judicial review' of the agency's compliance with a legislative mandate." *Mach Mining*, 135 S. Ct. at 1651 (quoting *Dunlop v. Bachowski*, 421 U.S. 560, 567 (1975)). "Only upon a showing of 'clear and convincing evidence' of a contrary legislative intent should the courts restrict access to judicial review.'" *Dunlop*, 421 U.S. at 567 (quoting *Abbott Labs. v. Gardner*, 387 U.S. 136, 141 (1967)).

This "heavy burden" is not easily met. Even statutory language that "plausibly can be read as imposing an absolute bar to judicial review" does not overcome the "usual presumption favoring judicial review of administrative action" if there is another natural reading of the statute that permits some level of review. *Lindahl v. OPM*, 470 U.S. 768, 779 (1985); *see also* Stephen G. Breyer et al., ADMINISTRATIVE LAW AND REGULATORY POLICY 777 (6th ed. 2006) ("[C]ourts start with a 'presumption of reviewability,' which means that they will interpret the asserted preclusive effect of such statutes narrowly. ... Also, courts frequently interpret language that, on its face, seems explicitly to preclude review not to do so."). So long as the statute is "'reasonably susceptible'" of an interpretation that preserves the availability of judicial review, it should be given that interpretation. *Kucana*, 558 U.S. at 251

(quoting *Gutierrez de Martinez v. Lamagno*, 515 U.S. 417, 434 (1995)).

The Federal Circuit majority ignored these "well-settled" and "familiar" principles, *Kucana*, 558 U.S. at 252. The majority failed to acknowledge—let alone apply—the "'strong presumption' favoring judicial review of administrative action." *Mach Mining*, 135 S. Ct. at 1651 (quoting *Bowen*, 476 U.S. at 670).

C. The AIA Does Not Provide Clear and Convincing Evidence that Congress Intended to Preclude Judicial Review of *Ultra Vires* Action by the PTO in Holding Claims Unpatentable on Grounds Not Raised in the Petition

The AIA and its legislative history do not provide clear and convincing evidence of Congressional intent to preclude judicial review and "prevent courts from enforcing its directives." *Mach. Mining*, 135 S. Ct. at 1651.

Two separate sections of the AIA address appeals in IPR proceedings. The section entitled "Institution of inter partes review" includes § 314(d), which is entitled "NO APPEAL" and states that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. § 314(d). Under this section, a decision to institute an IPR may not be challenged in an interlocutory appeal while the IPR proceeds, and a petitioner cannot appeal from a decision "not to institute an *inter partes* review." *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379,

1381 (Fed. Cir. 2014); *see also St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375-76 (Fed. Cir. 2014) (same).

Section 319 is relevant here. That section is entitled "Appeal," and states that "[a] party dissatisfied with the final written decision of the Patent Trial and Appeals Board ... may appeal the decision pursuant to sections 141 and 144."[7] 35 U.S.C. § 319.

Nothing in § 319—or any other section of the AIA—limits the issues that a dissatisfied party may raise and the Federal Circuit may decide in an appeal from a final written decision in an IPR. If the PTO renders a final decision holding a claim unpatentable on grounds not set forth in the petition, the issues that may be raised in an appeal under § 319 include the question of whether the PTO exceeded the limits on its authority in doing so.

In this regard, the AIA is in accord with the Administrative Procedure Act, which provides that "[a] preliminary, procedural, or intermediate agency

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[7] Section 141(c) states that "[a] party to an inter partes review ... who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) ... may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit." 35 U.S.C. § 141(c); *see also* 28 U.S.C. § 1295(a)(4)(A) (granting the Federal Circuit exclusive jurisdiction over any "appeal from a decision" of the PTAB in an "inter partes review under title 35"). Section 144 states that the Federal Circuit "shall review the decision from which an appeal is taken on the record before the Patent and Trademark Office." 35 U.S.C. § 144.

action or ruling not directly reviewable is subject to review on the review of the final agency action." 5 U.S.C. § 704. Similarly, many federal district court orders that are not subject to immediate review may still be raised in an appeal after a "final decision[]." 28 U.S.C. § 1291. As this Court has explained "[t]he requirement of finality precludes consideration of decisions that are subject to revision, and even of 'fully consummated decisions [that] are but steps towards final judgment in which they will merge.'" *Behrens v. Pelletier*, 516 U.S. 299, 305 (1996) (quoting *Cohen v. Beneficial Indus. Loan Corp.*, 337 U.S. 541, 546 (1949)). The AIA affords similar treatment to institution decisions, which are "subject to revision" by the PTAB, and only "steps towards final judgment," i.e., a final written decision.

The legislative history of the AIA does not support a different conclusion. As Judge Newman explained in her dissent in this case, the "stated purpose" of § 314(d) "is to control interlocutory delay and harassing filings." Pet. App., 46a. (Newman, J., dissenting). *See* H.R. Rep. No. 112-98, pt. 1, at 48 (2011) (explaining that IPRs are intended to provide "quick and cost effective alternatives to litigation," and "not to be used as tools for harassment" through "repeated litigation and administrative attacks" on patent validity). Nothing in the legislative history suggests that Congress intended to limit the issues that can be raised in an appeal under § 319 from a final written decision, or intended for violations of the PTO's statutory authority to be insulated from judicial review in such an appeal.

The Federal Circuit majority failed to apply the "'strong presumption' favoring judicial review of administrative action." *Mach Mining*, 135 S. Ct. at 1651 (quoting *Bowen*, 476 U.S. at 670). That presumption is not rebutted here. The AIA and its legislative history do not provide "clear and convincing evidence" (*Dunlop*, 421 U.S. at 567) that Congress intended that PTO action in violation of its statutory mandate, including in holding claims unpatentable on grounds not set forth in a petition, should be insulated from judicial review when a dissatisfied party appeals under § 319 from a final written decision in an IPR. There is no indication in the AIA or its legislative history that Congress intended to give the PTO a "blank check" (*Bowen*, 476 U.S. at 671) to engage in that *ultra vires* action without the possibility of judicial review.

This Court's reasoning in *Mach Mining* is equally applicable here:

> Absent [judicial] review, the [PTO's] compliance with the law would rest in the [PTO's] hands alone. We need not doubt the [PTO's] trustworthiness, or its fidelity to law, to shy away from that result. We need only know—and know that Congress knows—that legal lapses and violations occur, and especially so when they have no consequence.

135 S. Ct. at 1652-53 (bracketed references to the PTO added). Without judicial review under § 319, the AIA's statutory limits on the PTO's authority "would be naught but empty words." *Bowen*, 476 U.S. at 672 n.3 (citation omitted).

D. The Majority's Rationales Cannot Withstand Scrutiny

1. Section 314(d) does not limit review of a final written decision

According to the Federal Circuit majority, § 314(d) bars review in an appeal from a final decision of whether the PTO exceeded its statutory authority in holding claims unpatentable for reasons not set forth in the petition. Pet. App., 7a-8a. This misreads the statute.

By its express terms, § 314(d) applies only to "[t]he determination by the Director whether to institute inter partes review ...." It does not apply to appeals from a final written decision. As discussed above, appeals from a final decision are the subject of a separate section, i.e., § 319. Section 319 does not restrict the issues that an aggrieved party may raise, and the Federal Circuit may consider, in an appeal from a final written decision.

By the majority's reasoning, the PTO is effectively given carte blanche to issue a final decision invalidating patent claims on grounds absent from the petition, simply because its *ultra vires* conduct can be traced back to an initial violation of its statutory authority at the institution phase. The AIA does not compel this illogical result. Nothing in § 319—or anywhere else in the statute—bars an aggrieved party from asserting in an appeal from a final written decision that the PTO exceeded the limits on its statutory authority by relying on grounds not set forth in the petition in holding a claim unpatentable.

This conclusion is entirely consistent with § 314(d)'s statutory directive that the Director's determination whether to institute an IPR is "final," because an institution decision cannot be set aside in an appeal under § 319. Indeed, an IPR will have been instituted, conducted and completed before any possible appeal under § 319. This conclusion also is consistent with the statutory directive that the Director's determination whether to institute an IPR "shall be nonappealable" (§ 314(d)) because an appeal under § 319 seeks review of the PTO's final decision, not the decision to institute an IPR.

2. Section 318(a) does not authorize the PTO to find claims unpatentable on grounds not raised in the petition

If an IPR is instituted, the PTAB considers both sides' evidence and hears oral argument. It then renders a final written decision under § 318(a) on the patentability of the challenged claims.[8] The Federal Circuit majority mis-cited § 318(a) for the proposition that the AIA does not "expressly limit the [PTO's] authority at the final decision stage to the grounds alleged in the IPR petition." Pet. App., 7a. Under that incorrect reasoning, the AIA forbids the PTO from instituting an IPR on grounds not set forth in the petition, but gives it license to find claims

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[8] Section 318(a) states that "[i]f an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d)." 35 U.S.C. § 318(a).

unpatentable on any grounds whatsoever, including for reasons the PTO may not rely on in instituting an IPR in the first place. This is at odds with the statute and with basic principles of statutory construction, as well as notions of fairness and justice.

Like other statutes, the AIA "must 'be read as a whole.'" *United States v. Atl. Research Corp.*, 551 U.S. 128, 135 (2007) (quoting *King v. St. Vincent's Hosp.*, 502 U.S. 215, 211 (1991)). Read as a whole, the AIA imposes clear limits on the PTO's authority. Congress plainly did not authorize the PTO to hold challenged claims unpatentable on grounds that would not have provided a statutory basis for the PTO to institute an IPR in the first place. Congress did not need to repeat the limits on the PTO's authority in § 318(a) when § 314(a) already set those limits on the PTO's authority to institute an IPR to the grounds set out in a petition.

3. The Federal Circuit majority failed to apply the strong presumption favoring judicial review

The Federal Circuit majority also ignored another "familiar principle of statutory construction," i.e., the "presumption favoring judicial review of administrative action." *Kucana*, 558 U.S. at 251; *see also Mach Mining*, 135 S. Ct. at 1651 (describing this as a "'strong presumption'") (quoting *Bowen*, 476 U.S. at 670). This was further error.

The AIA does not authorize the PTO to hold claims unpatentable on grounds not set forth in the petition, given that the PTO lacks statutory authority to institute—much less decide—an IPR on

such grounds. Applying the "presumption favoring judicial review of administrative action," *Kucana*, 558 U.S. at 251, the AIA does not foreclose judicial review of the PTO's *ultra vires* conduct in an appeal under § 319 from a final decision.

At a minimum, the AIA is "reasonably susceptible" of this interpretation. By itself, that is sufficient to preserve the right to judicial review of *ultra vires* agency conduct. *Gutierrez*, 515 U.S. at 434; *see also Lindahl*, 470 U.S. at 779.

4. Ultra vires conduct does not become permissible merely because someone could have drafted a petition raising grounds that do not appear in the petition on which the PTO acted

The Federal Circuit majority also went astray in stating that it is "irrelevant" that the PTO held claims unpatentable on grounds not raised in the petition if "a proper petition [raising those grounds] *could have been drafted*." Pet. App. 9a (emphasis added). This logic would erase the statutory limits on the PTO's authority. It would give the PTO free rein to hold claims unpatentable on any grounds of its own choosing—including prior art not identified by the petitioner—so long as someone "could have" drafted a petition raising those grounds. This makes a mockery of the statute and "sets a dubious precedent for responsible proceedings." Pet. App., 31a (Newman, J., dissenting). It would make the reach of the PTO's authority coextensive with the breadth of its imagination. This untenable result also deprives patent owners of their statutory right to

respond to a petition containing the sole grounds on which the IPR might be instituted.

As discussed above, the AIA is explicit that the PTO "may not" institute an IPR proceeding "unless" the information in the petition demonstrates a reasonable likelihood that the petitioner will prevail, 35 U.S.C. § 314(a), and the petition must identify "*with particularity ... the grounds* on which the challenge to each claim is based, and the *evidence that supports the grounds* for [that] challenge ...." 35 U.S.C. § 312(a)(3) (emphases added). Nothing in the statute gives the PTO authority to hold claims unpatentable on grounds that are absent from the petition, merely because those theories "could have" been raised in a hypothetical petition by some other, imaginary petitioner.

E. The Federal Circuit's Decision Leaves No Meaningful Avenue of Relief When the PTO Exceeds its Authority

Under the decision below, there would be no effective way to challenge the agency's violation of the statutory limits on its authority. *Ultra vires* decisions by the PTO holding claims unpatentable on grounds not set forth in the petition would evade judicial review.

The Federal Circuit majority noted—without deciding—that mandamus might provide a means for reviewing this type of *ultra vires* agency action. Pet. App. 9a. But the majority also noted that the PTO has characterized prior Federal Circuit decisions as "preclud[ing] mandamus." Pet. App. 9a-10a (collecting cases). Even if mandamus were available,

it would not provide an adequate vehicle for addressing the agency's violation of the limits on its authority. Mandamus is a "drastic [remedy], to be invoked only in extraordinary situations." *Kerr v. United States Dist. Court for Northern Dist.*, 426 U.S. 394, 402 (1976). To warrant mandamus relief, the petitioner's right to relief must be "clear and indisputable," *Cheney v. United States Dist. Court for the Dist. of Columbia*, 542 U.S. 367, 380 (2004) (quoting *Kerr*, 426 U.S. at 403), and even then, relief is discretionary, *id.*, 542 U.S. at 381. As the decision below demonstrates, the Federal Circuit has shown no inclination to enforce the statutory limits on the PTO's authority to institute IPRs through mandamus or otherwise.[9]

One Federal Circuit judge has raised an alternative possibility that *ultra vires* action by the PTO might be subject to challenge under "an 'implicit and narrow' exception for agency action that plainly violates an unambiguous statutory mandate." *Versata Dev. Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1342 (Fed. Cir. 2015) (Hughes, J., dissenting in part). But this "implicit and narrow" exception also does not provide a meaningful avenue for challenging *ultra vires* agency action. If this exception is available at all, it would be available only in the most extreme circumstances, and again

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[9] *See* Pet. App., 10a-11a (stating that even if mandamus were potentially available and the court "were to treat [Cuozzo's] appeal as a request for mandamus, the situation here is far from satisfying the clear-and-indisputable requirement for mandamus") (footnote omitted); *see also Sightsound Techs., LLC v. Apple, Inc.*, 809 F.3d 1307, 1345 (Fed. Cir. 2015) (same).

would be subject to a court's discretion. Moreover, the Federal Circuit has held that this implicit exception does not provide a basis for challenging other *ultra vires* conduct by the PTO.[10]

A party aggrieved by unauthorized administrative action should not be relegated to hoping that mandamus or an implicit exception provides a basis for judicial review. Under § 319 of the AIA, *ultra vires* conduct by the PTO in holding claims unpatentable on grounds not set forth in a petition should be reviewable in a direct appeal from a final written decision in an IPR.

The NYIPLA urges this Court to hold that on appeal under § 319 from a final written decision an aggrieved party may challenge *ultra vires* actions taken during the course of the IPR, including PTO action finding claims invalid based on grounds not set forth in the petition.

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[10] *See Achates Reference Publ., Inc. v. Apple, Inc.*, 803 F.3d 652, 658 (Fed. Cir. 2015), petition for cert. dismissed (Feb. 9, 2016) (holding that assertions that the PTO acted in an *ultra vires* fashion in holding claims unpatentable where the IPR petition was allegedly time-barred by the AIA involve "statutory interpretation dispute[s]" that do not warrant review under this implicit exception); *Click-to-Call Techs., LP v. Oracle Corp.*, 622 Fed. Appx. 907, 908 (Fed. Cir. 2015), cert. pending (same)

II. The Claim Construction Standard for IPR Proceedings Should be Informed by the Availability or Unavailability of Claim Amendments

The claim construction standard that the PTO should apply during IPR proceedings is an issue of "powerful consequence" because claim construction can dictate the outcome on validity. Pet. App., 62a-63a, 67a (Newman, J., dissenting) (citation omitted); *see also Smartflash LLC v. Apple, Inc.*, 621 F. App'x 995, 1006 (Fed. Cir. 2015) (Newman, J., dissenting) (applying the broadest reasonable interpretation "render[s] the claims more vulnerable to invalidity than if reviewed on the [*Phillips* standard]").

While the NYIPLA does not take a position on whether the BRI standard, the *Phillips* standard, or some other standard should apply in IPRs, it submits that the Court's determination of this critical issue is needed and should be guided by the following inquiry: If the PTO's construction of a claim in an IPR renders the claim vulnerable to being held unpatentable, does a patent owner have a sufficient opportunity to amend the claim at issue so as to warrant application of the BRI standard?

During the iterative process of patent examination, the PTO applies the "broadest reasonable interpretation" (BRI) test for claim construction. "The PTO broadly interprets claims during examination of a patent application since the applicant may amend his claims to obtain protection commensurate with his actual contribution to the art." *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984) (citation omitted). "Patent application claims

are given their broadest reasonable interpretation during examination proceedings, for the simple reason that before a patent is granted the claims are readily amended as part of the examination process." *Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987) (citing *In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969)); *see also In re Bigio*, 381 F.3d 1320, 1324 (Fed. Cir. 2004).

The objective of the BRI test is not to determine the "actual meaning" of a claim, but rather to ascertain its outer boundaries and "reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified." *In re Reuter*, 670 F.2d 1015, 1015 (C.C.P.A. 1981) (quoting *Prater*, 415 F.2d at 1404-05). As the Federal Circuit has explained:

> The protocol of giving claims their broadest reasonable interpretation during examination ... is solely an examination expedient, not a rule of claim construction. Its purpose is to facilitate exploring the metes and bounds to which the applicant may be entitled, and thus to aid in sharpening and clarifying the claims during the application stage, when claims are readily changed.

In re Skvorecz, 580 F.3d 1262, 1267 (Fed. Cir. 2009).

In contrast, during district court litigation, a patent owner is not permitted to amend the issued claims in dispute. *See Yamamoto*, 740 F.2d at 1572 ("An applicant's ability to amend his claims to avoid cited prior art distinguishes [examination]

proceedings before the PTO from proceedings in federal district courts on issued patents.... This opportunity is not available in an infringement action in district court."). A district court accordingly determines the "ordinary meaning" of a challenged claim term to a person of ordinary skill in art in view of the patent's specification and prosecution history, under the guidelines for claim construction set forth in *Phillips*, 415 F.3d at 1314, 1321.

The majority and dissent here agreed that the availability of claim amendments is an important consideration in deciding the appropriate standard for claim construction. But they disagreed on how this factor applies to IPR proceedings.

The Federal Circuit majority recognized that the BRI test typically applies in post-examination procedures before the PTO, including patent reexaminations, reissues, and interferences. But the BRI standard is appropriate in those proceedings because amendments are usually allowed, as in original examinations.

This tenet is borne out by circumstances in which the PTO does not apply the BRI standard. For example, when "a reexamination involves claims of an expired patent, a patentee is unable to make claim amendments." *In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014) (citations omitted). In those situations, the PTO does not apply the BRI standard and instead "applies the claim construction

principles outlined by [the Federal Circuit] in *Phillips*." *Id.* at 1256.[11]

IPR proceedings are unlike the other types of PTO proceedings discussed above because there is only a limited ability to amend claims in IPR proceedings. As Judge Newman observed in dissent, "[t]here is no *right* of amendment" in IPRs. Pet. App., 39a (Newman, J., dissenting) (emphasis added). In an IPR (unlike an original examination) a patent owner cannot freely amend claims, but rather must seek leave to amend and only one motion for leave to amend is allowed as of right. *See* 35 U.S.C. § 316(d)(1).[12] The PTO's implementing regulations further restrict the ability to move for an amendment by requiring the patent owner to first confer with the PTO, and by setting a presumption "that only one substitute claim would be needed to replace each challenged claim." 37 C.F.R. § 42.221(a)(3). Moreover, unlike other aspects of IPR practice, the burden for amendments falls on the patent holder,

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[11] *See also* MPEP § 2258(G) ("In a reexamination proceeding involving claims of an expired patent, claim construction pursuant to the principle[s] set forth by the court in *Phillips*, should be applied since the expired claim[s] are not subject to amendment.").

[12] In order to file additional motions to amend, a patent owner must obtain authorization from the PTAB. Such authorization may be provided only when there is "a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement." 37 C.F.R. § 42.221(c); *see* 35 U.S.C. § 316(d)(2).

who must prove the patentability of any proposed amendment.[13]

Thus, in contrast to original patent examination, amendments in IPRs are not freely granted. In fact, the PTO recently rejected suggested changes to its regulations which would have provided that "motions to amend should be liberally allowed." Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board; Proposed Rules, 80 Fed. Reg. 50,720, 50,723-24 (Aug. 20, 2015). The PTO explained that the AIA sets "statutory limitations for amendments" and thus "motions to amend cannot be entered in the same way as amendments that are entered during prosecution, which are not bound by such restrictions." *Id.*

The PTO also intervened in a recent appeal challenging the denial of a claim amendment during an IPR, to emphasize that "[t]he AIA does not provide an automatic amendment to the patent upon filing a motion clarifying the scope of the claim."

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[13] The Federal Circuit recently confirmed that although the AIA "places the burden on the petitioner to prove unpatentability of any issued claim for which the Board has instituted review," for a proposed substitute claim the PTAB appropriately "place[s] the burden on [the patent holder] to establish patentability over the prior art." *Nike, Inc. v. Adidas AG*, No. 14-1719, 2016 U.S. App. LEXIS 2376, at *13 (Fed. Cir. Feb. 11, 2016). However, the Federal Circuit held that the PTAB erred by requiring the patent holder to address the patentability of its proposed amendment over prior art beyond that which was (or pursuant to the "duty of candor" should have been) already of record. *Id.* at *49-*51.

Brief of Intervenor—Director of U.S. PTO, *Prolitec, Inc. v. ScentAir Techs., Inc.*, No. 15-1020 (Fed. Cir.) (March 31, 2015), at 25. The PTO asserted that it is incorrect to "presume[] [that] a 'motion to amend' a patent during an inter partes review proceeding should be treated similar to an amendment submitted during an examination proceeding." *Id.* at 26.

The restrictive nature of amendments in IPR proceedings is borne out in practice. As of January 1, 2016, the PTO has granted just 26 of 472 motions made by patent owners to substitute claims in the course of an IPR, i.e., only 5.5% of such motions.[14]

The Federal Circuit majority here acknowledged that "the opportunity to amend is cabined in the IPR setting," but stated that the possibility of amendment is "nonetheless available," and concluded that the BRI standard accordingly is appropriate for IPR proceedings. Pet. App., 17a. Judge Newman disagreed, concluding that the "restricted role of amendment in the America Invents Act proceedings comports with the intended and expected 'correct' claim construction, not the broadest claim construction." *Id.*, 39a-40a (Newman, J., dissenting).

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[14] *See Synopsys, Inc. v. Mentor Graphics Corp.*, No. 14-1516, 2016 U.S. App. LEXIS 2250, at *78 (Fed. Cir. Feb. 10, 2016) (Newman, J., dissenting) (citing statistics and explaining that "[a]lthough the AIA authorizes claim amendment, PTO statistics demonstrate the PTAB's practice of denying almost all motions to amend") (citing D.F. Klodowski and D. Seastrunk, *Claim and Case Disposition*, AIA BLOG, http://www.aiablog.com/claim-and-case-disposition/).

Notably, the PTO acknowledges that the *Phillips* standard, rather than the BRI standard, should apply in IPR practice in those rare situations where claim amendments are entirely unavailable—as is the case with other proceedings before the PTO. The PTO therefore applies *Phillips* to patent claims that have already expired, both in institution decisions[15] and final decisions.[16]

The PTO also has proposed a change to its regulations that would require it to apply the *Phillips* standard in deciding whether to institute IPR proceedings for a discrete category of claims, i.e., non-expired claims that will expire before a final decision. *See* 80 Fed. Reg. 50,720, 50,722, 50,743, 50,746-47 (Aug. 20, 2015). The PTO stated that application of the *Phillips* standard for construction of such claims is "appropriate," since "[s]uch patents *essentially lack any viable opportunity to amend the claims* in an AIA proceeding." 80 Fed. Reg. 50,722 (emphasis added).

The question presented here is whether, regardless of patent expiration, patent owners involved in an IPR proceeding truly have a "viable

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[15] *See,* e.g., *Panel Claw, Inc. v. Sunpower Corp.*, Case IPR2014-00386, Paper 7, Decision Denying Institution of *Inter Partes* Review, at 7 (P.T.A.B. June 30, 2014) (construing claims of expired patent pursuant to *Phillips* in deciding whether to institute an IPR).

[16] *See,* e.g., *Square, Inc. v. J. Carl Cooper*, Case IPR2014-00158, Paper 36, Final Written Decision, at 5-6 (P.T.A.B. May 8, 2015) (at final decision stage, applying *Phillips* to construe claims of patent that expired subsequent to the institution of the IPR).

opportunity to amend the claims" that is sufficient to warrant application of the BRI standard, as opposed to the *Phillips* standard that applies in district court litigation and other contexts where there is no opportunity for amendment, or some other claim construction standard that the Court concludes is appropriate in light of the unique nature of IPR proceedings. This is a question of great significance, and guidance from this Court is sorely needed.

III. This Court's Decision Will Have a Significant Impact on Innovation and Commerce Because of the Prevalence of IPR Proceedings

IPR proceedings first became available in September 2012, following the enactment of the AIA. Since then, their use for challenging patent validity has become increasingly widespread. To a large extent, they are supplanting district court litigation for resolving patent validity issues based on the prior art.

According to statistics published by the PTO, from September 2012 through January 2016 more than 4000 IPR petitions were filed. Over the past three fiscal years, the PTO has instituted review in more than 65% of the petitions that were not settled or withdrawn before an institution decision.[17] In total, 792 IPRs reached a final decision; in 685 of

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[17] *See* PTAB Statistics, January 31, 2016, at pp. 2, 7, U.S. Patent and Trademark Office, *available at* http://www.uspto.gov/sites/default/files/documents/2016-01-31%20PTAB.pdf (last accessed February 25, 2016).

them (86%), the PTO invalidated some or all of the challenged claims.[18] As a result, validity challengers have petitioned the PTO to institute IPR proceedings at skyrocketing rates, instead of raising obviousness and anticipation defenses in district court litigation.[19] Because of the increasing prevalence of IPR proceedings, the issues presented by this case have great importance for patent law, and for innovation and commerce.

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[18] *Id.* at 9.

[19] The vast majority of IPR proceedings take place in parallel to co-pending district court litigation. *See* B.J. Love & S. Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. Chi. L. Rev. Dialogue 93, Appendix B (2014) (reporting that through March 2014, 78.8% of IPR proceedings had co-pending litigation); Perkins Coie, *Inter Partes Review Proceedings: A Third Anniversary Report*, at pp. 5, 7 (Sept. 2015), available at https://www.perkinscoie.com/en/news-insights/inter-partes-review-proceedings-a-third-anniversary-report.html (last accessed February 25, 2016) (reporting that 90.9% of the IPR petitions filed through August 17, 2015 had co-pending district court litigation).

CONCLUSION

On the second Question Presented, this Court should hold that in an IPR the PTAB is not authorized to invalidate a patent claim on a ground not set forth in the petition, and that such *ultra vires* conduct by the PTO is subject to judicial review by the Federal Circuit in a direct appeal under § 319 from a final decision.

On the first Question Presented, this Court should consider the extent to which claim amendments are available during IPRs in determining the claim construction standard that should apply in such proceedings.

February 25, 2016

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No. 15-446

IN THE
Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDERSECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICI CURIAE* PATENT-PRACTICING TECHNOLOGY INNOVATORS IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES ii

STATEMENT OF INTEREST 1

BACKGROUND 2

SUMMARY OF ARGUMENT 4

ARGUMENT 5

I. THE PTO'S RULE IS INCOMPATIBLE WITH THE TEXT AND PURPOSE OF THE AIA 5

A. Congress Did Not Intend The Broadest Reasonable Interpretation Standard To Govern Inter Partes Review 6

B. Applying The Broadest Reasonable Interpretation Standard in Inter Partes Review Threatens Small and Mid-Sized Patent-Practicing Innovators 11

II. THE PTO LACKED AUTHORITY TO PROMULGATE THE BROADEST REASONABLE INTERPRETATION RULE 15

CONCLUSION 20

APPENDIX—Interests Of The Individual *Amici Curiae* 1a

TABLE OF AUTHORITIES

Page

CASES:

Animal Legal Def. Fund v. *Quigg*,
932 F.2d 920 (Fed. Cir. 1991) 15

City of Arlington v. *FCC*,
133 S. Ct. 1863 (2013) 15, 18

Cooper Techs. Co. v. *Dudas*,
536 F.3d 1330 (Fed. Cir. 2008) 15

Ethicon, Inc. v. *Quigg*,
849 F.2d 1422 (Fed. Cir. 1988) 8

FCC v. *AT&T Inc.*,
562 U.S. 397 (2011) 17

FDA v. *Brown & Williamson Tobacco Corp.*,
529 U.S. 120 (2000) 17

Florida Dep't of Revenue v. *Piccadilly Cafeterias, Inc.*,
554 U.S. 33 (2008) 17

Fresenius USA, Inc. v. *Baxter Int'l, Inc.*,
721 F.3d 1330 (Fed. Cir. 2013) 12

In re Buszard,
504 F.3d 1364 (Fed. Cir. 2007) 6

In re Etter,
756 F.2d 852 (Fed. Cir. 1985) (en banc) 7, 8

In re NTP, Inc.,
654 F.3d 1268 (Fed. Cir. 2011) 2

In re Rambus, Inc.,
753 F.3d 1253 (Fed. Cir. 2014) 6

In re Skvorecz,
580 F.3d 1262 (Fed. Cir. 2009) 6, 7

TABLE OF AUTHORITIES—Continued

Page

In re Swanson,
540 F.3d 1368 (Fed. Cir. 2008) 3, 8, 10

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984) 6, 8

In re Zletz,
893 F.2d 319 (Fed. Cir. 1989) 6, 7

Innova/Pure Water, Inc. v. *Safari Water Filtration Sys., Inc.*,
381 F.3d 1111 (Fed. Cir. 2004) 16

Leocal v. *Ashcroft*,
543 U.S. 1 (2004) 16

Lighting Ballast Ctrl. LLC v. *Philips Elecs.*,
744 F.3d 1272 (Fed. Cir. 2014) (en banc) 14

Markman v. *Westview Instruments, Inc.*,
517 U.S. 370 (1996) 14, 16

Merck & Co. v. *Kessler*,
80 F.3d 1543 (Fed. Cir. 1996) 15

Microsoft Corp. v. *Proxyconn, Inc.*,
789 F.3d 1292 (Fed. Cir. 2015) 9

Multiform Desiccants, Inc. v. *Medzam, Ltd.*,
133 F.3d 1473 (Fed. Cir. 1998) 7

Nike, Inc. v. *Adidas AG*,
__ F.3d __, 2016 WL 537609
(Fed. Cir. Feb. 11, 2016).....9

O'Melveny & Myers v. *F.D.I.C.*,
512 U.S. 79 (1994) 18

Phillips v. *AWH Corp.*,
415 F.3d 1303 (Fed. Cir. 2005) (en banc) 7, 16

TABLE OF AUTHORITIES—Continued

Page

Robinson v. *Shell Oil Co.*,
519 U.S. 337 (1997) 19

United Carbon Co. v. *Binney & Smith Co.*,
317 U.S. 228 (1942) 14

United Sav. Assn. of Tex. v. *Timbers of Inwood Forest Assocs., Ltd.*,
484 U.S. 365 (1988) 19

United States v. *Mead Corp.*,
533 U.S. 218 (2001) 15, 16

University of Tex. Sw. Med. Ctr. v. *Nassar*,
133 S. Ct. 2517 (2013) 18

Utility Air Regulatory Grp. v. *EPA*,
134 S. Ct. 2427 (2014) 17, 18, 19

STATUTES:

35 U.S.C. § 282(a) 10

35 U.S.C. § 301 (2006) 9

35 U.S.C. § 302(a)(2) 9

35 U.S.C. § 302(d) 9

35 U.S.C. § 303 2

35 U.S.C. § 313 (2006) 9

35 U.S.C. § 314 9

35 U.S.C. § 314(a) (2006) 7, 8, 9

35 U.S.C. § 314(b) (2006) 8

35 U.S.C. § 315(d) 17, 18

35 U.S.C. § 315(e)(2) 10

35 U.S.C. § 316 (2006) 10

35 U.S.C. § 316(a) 16, 18

TABLE OF AUTHORITIES—Continued

Page

35 U.S.C. § 316(a)(1)-(13) 18

35 U.S.C. § 316(a)(2) 16, 17, 18

35 U.S.C. § 316(a)(4) 17, 18, 19

35 U.S.C. § 316(a)(5) 18

35 U.S.C. § 316(a)(9) 18

35 U.S.C. § 316(c) 9

35 U.S.C. § 316(d) 9

35 U.S.C. § 316(e) 9, 10

35 U.S.C. § 317 9

35 U.S.C. § 317(b) (2006) 10

35 U.S.C. § 318(a) 10

REGULATIONS:

37 C.F.R. § 42.100(b) 3

37 C.F.R. § 42.20(c) 9

Changes to Implement Inter Partes Review, 77 Fed. Reg. 48680 (Aug. 14, 2012) 3, 16

LEGISLATIVE MATERIAL:

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Page

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William Mann, *Creditor Rights and Innovation: Evidence from Patent Collateral*, (unpublished paper) (Apr. 27, 2015) 13

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J. Gregory Sidak & Jeremy O. Skogg, *Attack of the Shorting Bass: Does the Inter Partes Review Process Enable Petitioners to Earn Abnormal Returns?* 63 UCLA L. Rev. Disc. 120 (2015) 12

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IN THE

Supreme Court of the United States

No. 15-446

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDERSECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICI CURIAE* PATENT-PRACTICING TECHNOLOGY INNOVATORS IN SUPPORT OF PETITIONER

STATEMENT OF INTEREST[1]

Amici curiae SiOnyx, LLC, Andrea Electronics Corp., ASSIA, Inc. Cresta Technologies, Medversant Technologies LLC, Netlist Inc., SEVEN Networks LLC, Smartvue Corporation, and Triplay, Inc., are small and mid-sized companies on the cutting edge of

[1] Additional information about the *amici curiae* is set forth in the appendix. No party or counsel for a party authored this brief in whole or in part. No party, counsel for a party, or person other than the *amici curiae* or its counsel made a monetary contribution intended to fund the preparation or submission of this brief. The petitioner has filed a blanket consent to the filing of *amicus curiae* briefs in this case. The respondent has consented to the filing of this brief in writing.

American technological innovation. Like all businesses driven by invention, their most valuable asset is their intellectual property. Companies like the *amici curiae* rely on the rights secured by the U.S. patent system to attract capital investment, secure loans, and justify vital expenditures in research and development and business operations. These companies thrive when patent protections are clear, predictable, and consistently enforced. Because the Federal Circuit's judgment in this case undermines those protections, the *amici curiae* respectfully urge this Court to reverse.

BACKGROUND

Congress enacted the Leahy-Smith America Invents Act ("AIA") to "establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs." H.R. Rep. No. 112-98, pt. I at 40 (2011). As part of that effort, Congress scrapped a rarely used administrative mechanism for challenging a patent's validity in favor of a new, "court-like" proceeding intended to offer an alternative to litigation. *Id.* at 68.

Until the AIA, parties could challenge issued patents in one of two ways: they could litigate validity in federal district court, or they could seek a reexamination in the Patent and Trademark Office by introducing a "substantial new question of patentability" not presented during the original examination. *See, e.g.*, *In re NTP, Inc.*, 654 F.3d 1268, 1276 (Fed. Cir. 2011) (quoting 35 U.S.C. § 303). Although litigation was ordinarily more costly and protracted than reexamination, thirty years of experience proved that reexamination was "a less viable alter-

native to litigation for evaluating patent validity than Congress intended." H.R. Rep. 112-98 at 45.

One reason reexamination proved a poor substitute for litigation is that "PTO examination procedures have distinctly different standards, parties, purposes, and outcomes compared to civil litigation." *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008). The AIA was meant to solve that problem by eliminating the key distinctions between challenges to issued patents in the PTO and litigation, and creating an entirely new proceeding called "inter partes review."

In enacting these improvements, Congress expressly "recognize[d] the importance of quiet title to patent owners to ensure continued investment resources" and directed the PTO to prevent the Act's new measures from "divert[ing] resources from the research and development of inventions." H.R. Rep. 112-98 at 48.

Unfortunately, the PTO ignored that clear instruction. Under the guise of its procedural authority, the PTO promulgated a rule that subjects the Act's new adjudicative proceedings to the same standard of patent claim construction that governed the very proceedings Congress expressly intended to *replace*. *See* 37 C.F.R. § 42.100(b); Changes to Implement Inter Partes Review, 77 Fed. Reg. 48680, 48688 (Aug. 14, 2012). By giving issued patent claims their "broadest reasonable construction," the PTO ensured that district courts and administrative law judges in the PTO would continue to arrive at different interpretations of the same patents on the same evidence.

A razor-thin majority of the Federal Circuit blessed this administrative veto of congressional intent, reasoning that the PTO had used the same rule "[f]or

more than a century." Pet. App. 13a. But Congress acted precisely because the PTO's longstanding practice failed to provide a "viable alternative to litigation for evaluating patent validity." H.R. Rep. 112-98 at 45. As explained below, the PTO's adoption of the "broadest reasonable interpretation" rule in inter partes review directly undermines the purpose of the new proceedings. For patent-practicing technology companies, like the *amici curiae*, the rule creates uncertainty about the value of their patents and their ability to attract and retain investment. That is the opposite of the result Congress intended. The decision below should be reversed.

SUMMARY OF ARGUMENT

After thirty years of experience showed that reexamination could not substitute for civil litigation, Congress opted for a new approach to PTO reviews of issued patents. The AIA endowed the inter partes review process with the signal features of adjudication, creating a new administrative court, assigning a burden of proof, expanding the proceedings' estoppel effect, and even permitting parties to end review by settling. These changes shifted PTO proceedings from the "neutral" give and take that characterized examination to an adversarial delineation of property rights akin to litigation.

The Federal Circuit found "no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years." Pet. App. 15a. But that is not the question. The AIA established an entirely *new* proceeding, consciously modeled after district court adjudication. The question is whether applying an examinational

standard in that new proceeding can be reconciled with the text and purpose of the Act. It cannot.

Not only do the procedural features of inter partes review render the application of a broadest reasonable interpretation standard infeasible, the standard undermines the purpose of those features. Instead of harmonizing district court and PTO proceedings, the PTO's rule entrenches their former differences. So while PTO proceedings are now wider ranging and more readily available, they can still draw different conclusions from the same evidence. That encourages abusive gamesmanship and forum manipulation, undermining patent rights and hurting small- and mid-sized businesses that practice their patents.

Even if the text and purpose of the AIA did not foreclose the broadest reasonable interpretation standard, the PTO's rule would not qualify for deference. Congress never authorized the PTO to issue claim construction rules. And even if the agency could set some form of standard, the broadest reasonable interpretation rule is not a reasonable construction of the AIA.

ARGUMENT

I. THE PTO'S RULE IS INCOMPATIBLE WITH THE TEXT AND PURPOSE OF THE AIA.

The PTO gives claims their broadest reasonable interpretation for reasons specific to the patent examination process. The AIA deliberately chose a different path, "convert[ing]" the existing PTO mechanism for challenging patent validity "from an examinational to an adjudicative proceeding." H.R. Rep. 112-98 at 46, 48. Yet the majority below concluded there was "no indication" that Congress intended to

displace the broadest reasonable interpretation standard. Pet. App. 15a. That was error. The broadest reasonable interpretation standard is not only incompatible with the structure of review proceedings, it runs counter to the statute's goal, incentivizing gamesmanship and increased litigation at the expense of investment-reliable patent rights.

A. Congress Did Not Intend The Broadest Reasonable Interpretation Standard To Govern Inter Partes Review.

1. A broad interpretation helps examiners and applicants "explor[e] the metes and bounds to which the applicant may be entitled, and thus * * * aid[s] in sharpening and clarifying the claims during the application stage, when claims are readily changed." *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009). That serves "[a]n essential purpose of patent examination"—"to fashion claims that are precise, clear, correct and unambiguous" and remove "as much as possible" any "uncertainties of claim scope." *In re Buszard*, 504 F.3d 1364, 1367 (Fed. Cir. 2007) (quoting *In re Zletz*, 893 F.2d 319, 322 (Fed. Cir. 1989)).

The winnowing function of the broadest reasonable interpretation standard works because examination is an iterative process in which "the patent examiner and the applicant" engage "in the give and take of rejection and response." *In re Buszard*, 504 F.3d at 1366-67; *see In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984) ("[T]he applicant has the ability to correct errors in claim language and adjust the scope of claim protection as needed. Even the PTO acknowledges that the standard cannot function where amendment is impossible, as when expired patents are subject to a reexamination. *See In re*

Rambus, Inc., 753 F.3d 1253, 1256 (Fed. Cir. 2014) (PTO applies district court standard of claim construction to reexamination of expired patents). But "when claims can be amended, ambiguities should be recognized, scope and breadth of language explored, and clarification imposed." *In re Zletz*, 893 F.2d at 321. The same was true of the former inter partes reexamination process, which Congress directed the PTO to conduct along the lines of an initial examination. *See* 35 U.S.C. § 314(a) (2006); *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) (en banc) ("[T]he intent underlying reexamination is to 'start over' in the PTO.").

2. But the "protocol of giving claims their broadest reasonable interpretation" is "solely an examination expedient, not a rule of claim construction." *In re Skvorecz*, 580 F.3d at 1267 Only the "ordinary and customary meaning" of a claim, read "in the context of the entire patent, including the specification," and "informed, as needed, by the prosecution history" can establish the legally correct interpretation of the claim. *Phillips* v. *AWH Corp.*, 415 F.3d 1303, 1312, 1313, 1315 (Fed. Cir. 2005) (en banc) (citations omitted).

In other words, the broadest reasonable interpretation is not designed to answer the question posed in district court litigation, where "[t]he point is to arrive at a 'concise statement[] of the subject matter for which the statutory right to exclude is secured by the grant of the patent.'" Pet. App. 56a (Prost, C.J., dissenting) (quoting *Multiform Desiccants, Inc.* v. *Medzam, Ltd.*, 133 F.3d 1473, 1476 (Fed. Cir. 1998)). That is why, until the AIA, the PTO and a federal district court "on the same evidence could quite

correctly come to different conclusions." *In re Swanson*, 540 F.3d at 1377 (quoting *Ethicon, Inc.* v. *Quigg*, 849 F.2d 1422, 1428 (Fed. Cir. 1988)).

3. The AIA was meant to change all that. The Act "convert[ed] inter partes reexamination from an examinational to an adjudicative proceeding, and rename[d] the proceeding 'inter partes review.'" H.R. Rep. 112-98 at 46-47.

Although inter partes reexaminations gave challengers the opportunity to be heard, they were not adversarial. 35 U.S.C. § 314(b) (2006). The process was "neutral;" a PTO examiner—not a judge—"conduct[ed] a subjective examination of claims in the light of prior art," with the patentee free "to amend his claims to avoid cited prior art" as needed. *In re Etter*, 756 F.2d at 856, 858 (quoting *Yamamoto*, 740 F.2d at 1572); see 35 U.S.C. § 314(a) (2006) ("[T]he patent owner shall be permitted to propose any amendment to the patent and a new claim or claims."). The burden of establishing invalidity rested with the examiner. *See In re Etter*, 756 F.2d at 859 & n.6 ("There is no such attacker in a reexamination, and hence no one on whom [a] burden may be placed."). A petitioner was not estopped from making the same arguments in subsequent litigation in a district court. *See id.* at 857. And the parties' willingness to settle their dispute played no role in terminating the proceedings.

The AIA replaced these core "examinational" characteristics of the former process with features that resemble district court proceedings:

- Inter partes reviews are tried directly to a panel of three administrative law judges from the newly created Patent Trial and Appeal

Board ("PTAB"), instead of an examiner *compare* 35 U.S.C. § 316(c), *with* H.R. Rep. 112-98 at 45-46 n.34;[2]

- The decision to institute a review depends on whether the petitioner is reasonably likely to prevail on at least one of his claims, rather than on a finding of a "substantial new question of patentability," *compare* 35 U.S.C. § 314 *with* 35 U.S.C. § 313 (2006).
- The petitioner, rather than the PTO, bears the burden of proving invalidity, *see* 35 U.S.C. § 316(e); *Nike, Inc.* v. *Adidas AG*, __ F.3d __, 2016 WL 537609 at *3 (Fed. Cir. Feb. 11, 2016) (noting the "distinctly different" procedure in reexamination);
- The petitioner and patentee can "settle" and the PTO may then elect to drop the matter, 35 U.S.C. § 317;
- The PTAB is permitted to consult a patent's prosecution history, instead of being limited to the paper record of the prior art, *compare* 35 U.S.C. § 302(a)(2), (d) *with* 35 U.S.C. § 301 (2006);
- The patent holder's right to amend his claims is sharply limited and the patentee must prove that the invention is patentable as amended, *compare* 35 U.S.C. § 316(d) *with* 35 U.S.C. § 314(a) (2006). *See* 37 C.F.R. § 42.20(c); *Mi-*

[2] All citations are to the most recent edition of the U.S. Code, as supplemented, unless otherwise noted.

crosoft Corp. v. *Proxyconn, Inc.*, 789 F.3d 1292, 1307 (Fed. Cir. 2015);

- The PTAB issues a written decision on patentability, rather than a certificate of patentability or cancellation alone, *compare* 35 U.S.C. § 318(a) *with* 35 U.S.C. § 316 (2006); and
- Petitioners are estopped from raising any argument they reasonably could have raised before the PTO in subsequent civil litigation, compare 35 U.S.C. § 315(e)(2) with 35 U.S.C. § 317(b) (2006).

By adopting the key adversarial features of district court proceedings and discarding the neutral, examinational structure of reexamination, Congress sent a clear signal: the days when "the tribunals charged with determination of patent validity as a matter of law, that is, the PTAB and the district court, could validly reach a different result on the same evidence" were over. Pet. App. 43a (Newman, J., dissenting); *cf. In re Swanson*, 540 F.3d at 1377 [3]

[3] Although the statutory burden of proof in PTO and district court proceedings is different, that deliberate legislative choice—unlike the PTO's rule—does not direct the forums to answer fundamentally different questions. *See* 35 U.S.C. § 282(a) (applying presumption of validity in district court litigation); *id.* § 316(e) (applying preponderance standard in review proceedings).

B. Applying The Broadest Reasonable Interpretation Standard in Inter Partes Review Threatens Small and Mid-Sized Patent-Practicing Innovators.

Inter partes review was meant to channel patent disputes from the courts to specialist judges in the PTO. The broadest reasonable interpretation rule undermines that goal and threatens the small and mid-sized innovators that depend on investment-reliable patent rights.

1. With post-grant reviews now easier to obtain and wider-ranging, demand for such proceedings has exploded.[4] But contrary to Congress' expressed intent, there has been no corresponding decline in patent litigation. *See* Matthew Sag, *IP Litigation in U.S. District Courts: 1994-2014*, 101 Iowa L. Rev. (forthcoming 2016) (manuscript at 119).[5] Instead of providing an alternative, the PTO's rule has encouraged the use of inter partes review as a parallel strategy.

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[4] PTO statistics show 17 reviews initiated in 2012, 514 in 2013, 1,310 in 2014, and 1,385 through July 2015. *See* PTAB, *AIA Progress: Statistics (as of 7/16/2015)*, available at: http://www.uspto.gov/sites/default/files/documents/aia_statistics_07-16-2015.pdf (last visited Feb. 22, 2016).

[5] Available at: http://dx.doi.org/10.2139/ssrn.2570803 (last visited Feb. 22, 2016). The trend of district court filings remains flat even after controlling for the nominal multiplication of filings attributable to AIA provisions that limit the once-common practice of joining multiple, unrelated defendants to a single suit. *See id.* (manuscript at 115-121); Matthew Sag, *IP Litigation in United States District Courts: 2015 Update* (Jan. 5, 2016), available at: http://dx.doi.org/10.2139/ssrn.2711326 (last visited Feb. 22, 2016).

The broadest reasonable interpretation rule invites parties to exploit the differences between the forums, raising costs for patentees and squelching investment and innovation. A cottage industry of "reverse trolling" has developed to take advantage of the fact that inter partes review can invalidate a patent determined to be valid in a district court. *See, e.g.*, Marc Cavan, Matthew Rizzolo & Matthew McDonell, *"Reverse Patent Trolls": Patent Law's Newest Strategy Unfolds*, Bloomberg BNA Insights, May 29, 2015.

In one particularly pernicious practice a "troll" identifies a patentee that has recently won a significant, but uncollected award of damages for infringement and then files or threatens to file a challenge to the validity of the underlying patent in the PTO in an effort to extort a settlement from the patentee. *See id.* Because the PTO ignores the legally correct interpretation of a patent in favor of a sweeping hypothetical interpretation, the patentee risks losing the judgment if the petitioner goes forward. *See, e.g.*, *Fresenius USA, Inc.* v. *Baxter Int'l, Inc.*, 721 F.3d 1330, 1341 (Fed. Cir. 2013) (infringement verdict not insulated from collateral attack in PTO until a judgment that "ends the litigation on the merits and leaves nothing for the court to do but execute the judgment" (citation omitted)).

Yet another abuse of the inter partes review process involves publicly challenging patents in the PTO and short selling the shares of the patentee. *See* Joseph Walker & Rob Copeland, *New Hedge Fund Strategy: Dispute the Patent, Short the Stock*, Wall St. J., Apr. 7, 2015. Although such challenges have mixed effects on share price, they burden patentees with needless risk and costs. *See* J. Gregory Sidak &

Jeremy O. Skog, *Attack of the Shorting Bass: Does the* Inter Partes *Review Process Enable Petitioners to Earn Abnormal Returns?* 63 UCLA L. Rev. Disc. 120 (2015).

2. The insecurity introduced by the PTO's rule also undermines Congress' desire that inter partes review not "divert resources from the research and development of inventions." H.R. Rep. 112-98 at 48. Not only does the exploitation of inter partes review sap resources in the form of legal fees and costs, it also hurts patent holders' balance sheets in other ways. Credit and investment are the lifeblood of small and mid-sized firms like the *amici curiae*. When businesses enjoy access to credit and increased financial flexibility, they invest more in research and development, and tend to produce more and more useful patents. *See* William Mann, *Creditor Rights and Innovation: Evidence from Patent Collateral*, 17-20, 23 (Apr. 27, 2015) (unpublished paper).[6] But as patent rights become weaker and less predictable, those lifelines dry up, forcing innovators to forego new projects and cut back on existing research efforts.

For firms that rely on patents as collateral for loans, increased patent vulnerability means a decline in the secondary market for patent rights and a corresponding drop in lending. *Cf.* Yael V Hochberg, Carlos J. Serrano & Rosemarie H. Ziedonis, *Patent Collateral, Investor Commitment, and the Market For Venture Lending* at 25 (Aug. 10, 2015) (unpublished

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[6] Available at: http://dx.doi.org/10.2139/ssrn.2356015 (last visited Feb. 22, 2016).

paper).[7] By contributing to such negative dynamics, the PTO's rule further undermines the purpose of the AIA.

3. Finally, by encouraging collateral attacks on district court validity determinations, the PTO's rule conflicts with this Court's longstanding emphasis on "the importance of uniformity in the treatment of a given patent," *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996); *see also United Carbon Co.* v. *Binney & Smith Co.*, 317 U.S. 228, 232 (1942) ("[T]he claims measure the invention.") (internal quotation marks omitted). An issued patent "establishes a property right that applies throughout the nation." *Lighting Ballast Ctrl. LLC* v. *Philips Elecs.*, 744 F.3d 1272, 1285-86 (Fed. Cir. 2014) (en banc), *vacated on other grounds sub nom. Lighting Ballast Ctrl. LLC* v. *Universal Lighting Techs., Inc.*, 135 S. Ct. 1173 (Mem.) (2015). Unless patentees and others can rely on judicial determinations of validity, "a zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims would discourage invention only a little less than unequivocal foreclosure of the field, and the public would be deprived of rights supposed to belong to it, without being clearly told what it is that limits these rights." *Markman*, 517 U.S. at 390 (citations, alterations, and internal quotation marks omitted). That result is unacceptable.

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[7] Available at: http://www.econ.upf.edu/~cserrano/papers/HSZ_paper.pdf (last visited Feb. 22, 2016).

II. THE PTO LACKED AUTHORITY TO PROMULGATE THE BROADEST REASONABLE INTERPRETATION RULE.

The majority below held in the alternative that the PTO's rule was entitled to deference. But Congress never authorized the PTO to issue rules of claim construction. And even if it had, the choice of the broadest reasonable interpretation standard was unreasonable.

1. Agency interpretations of a statute are due deference only when they follow from a legislative delegation of authority. *See United States* v. *Mead Corp.*, 533 U.S. 218, 226-27 (2001); *City of Arlington* v. *FCC*, 133 S. Ct. 1863, 1875 (2013) (Breyer, J., concurring) (reviewing courts must "decide independently whether Congress delegated authority to the agency to provide interpretations of, or to enact rules pursuant to, the statute at issue"). Neither the AIA, nor the general authority given to the PTO under the Patent Act provides the necessary delegation here.

a. Although the Patent Act permits the PTO to "govern the conduct of proceedings in the Office," the Federal Circuit has held time and again that the Act "does not authorize the Patent Office to issue 'substantive' rules." *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008) (citing *Merck & Co.* v. *Kessler*, 80 F.3d 1543, 1550 (Fed. Cir. 1996)). That is, the PTO has no power to make rules that "affect[] individual rights and obligations." *Id.* (quoting *Animal Legal Def. Fund* v. *Quigg*, 932 F.2d 920, 927 (Fed. Cir. 1991)).

"It is a bedrock principle of patent law that the claims of a patent define the invention to which the

patentee is entitled the right to exclude." *Phillips*, 415 F.3d at 1312 (internal quotation marks omitted) (quoting *Innova/Pure Water, Inc.* v. *Safari Water Filtration Sys., Inc.*, 381 F.3d 1111, 1115 (Fed. Cir. 2004)). A rule that dictates how those claims must be interpreted for the purposes of determining whether they should stand or fall in light of prior art necessarily "affects individual rights and obligations" on the part of both the patentee and the public. *See Markman*, 517 U.S. at 390 (scope of patent defines rights of the public as well as patentee). And where, as here, "the terms of the congressional delegation give no indication that Congress meant to delegate authority to" make such rules, deference cannot apply. *Mead Corp.*, 533 U.S. at 231-32.

b. Nor could any reasonable reading of the relevant rulemaking powers in the AIA authorize the PTO to set the standard for interpreting the metes and bounds of issued patent claims. In a section of the AIA devoted to the "[c]onduct of inter partes review," Congress directed the PTO to promulgate a specific and narrow set of procedural rules to govern the new proceedings. *See* 35 U.S.C. § 316(a); H.R. Rep. 112-98 at 48 (describing the PTO's new authority as "procedural").

Tellingly, the PTO was at a loss to specify which of these provisions authorized the broadest reasonable interpretation rule. In response to comments pointing out that the proposed rule was beyond its power, the PTO referred generally to 35 U.S.C. § 316(a)(2) and (a)(4). *See* Changes to Implement Inter Partes Review, 77 Fed. Reg. at 48697 Those provisions require the Director to make rules "setting forth the standards for the showing of sufficient grounds to

institute a review" and "establishing and governing inter partes review." 35 U.S.C. § 316(a)(2), (4) (emphasis added). The first provision has no bearing on the question since it deals with the grounds for initiating a review; the second cannot stretch to authorize the rule.

"[W]hen interpreting a statute" this Court "construe[s] language in light of the terms surrounding it." *FCC* v. *AT&T Inc.*, 562 U.S. 397, 405 (2011) (ellipsis and internal quotation marks omitted) (quoting *Leocal* v. *Ashcroft*, 543 U.S. 1, 9 (2004)); *see Utility. Air Regulatory Grp.* v. *EPA*, 134 S. Ct. 2427, 2441 (2014) (noting "fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme") (quoting *FDA* v. *Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000)).

That context is instructive in this case. Section 316(a)(4) authorizes rules "establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title." 35 U.S.C. § 316(a)(4). *See id.* § 315(d). Although that language may seem broad in isolation, the subsection as a whole suggests a narrower construction.

Start with the section title, which directs a focus on the "conduct" of proceedings. *See Florida Dep't of Revenue* v. *Piccadilly Cafeterias, Inc.*, 554 U.S. 33, 47 (2008) ("[S]ection headings are tools available for the resolution of a doubt about the meaning of a statute.") (internal quotation marks omitted). The substance of the neighboring paragraphs is consistent with that limitation. All thirteen subjects of rulemaking identified in subsection 316(a) imple-

ment the nuts and bolts of inter partes review, including, among other things, the handling of files, the grounds for initiating review, guidelines for submitting evidence and materials, and timelines and procedures for exercising certain rights. *See id* § 316(a)(1)-(13). Section 316(a)(4)'s reference to "the relationship of such review to other proceedings under this title," is likewise naturally read as implementing the provision dealing with multiple proceedings in the PTO. *See* 35 U.S.C. § 315(d). And even if rules "establishing and governing" review proceedings could in theory encompass standards of claim interpretation, the language of the other paragraphs belies that reading. Congress told the PTO to promulgate "standards" for initiating a review, permitting discovery, and amending a claim. *See id.* § 316(a)(2), (5), (9). Its choice not to refer to "standards" in section 316(a)(4) cannot be dismissed. *See O'Melveny & Myers* v. *F.D.I.C.*, 512 U.S. 79, 86 (1994) ("*Inclusio unius, exclusio alterius.*").

2. Even if the PTO had the authority to impose some standard of claim construction, it could not promulgate the broadest reasonable interpretation rule. "Even under *Chevron*'s deferential framework, agencies must operate 'within the bounds of reasonable interpretation.'" *Utility Air Regulatory Grp.*, 134 S. Ct. at 2442 (quoting *Arlington*, 133 S. Ct. at 1868). And "an agency interpretation that is 'inconsisten[t] with the design and structure of the statute as a whole,' does not merit deference." *Id.* (citation omitted) (quoting *University of Tex. Sw. Med. Ctr.* v. *Nassar*, 133 S. Ct. 2517, 2529 (2013)).

As explained in detail in Part I, *supra*, giving claims in the new court-like review proceedings their

broadest reasonable interpretation is fundamentally inconsistent with the statutory scheme. Congress' express desire to provide a real alternative to litigation, and its choice of an adjucative model as the basis for inter partes review, signal an intention to harmonize the way the PTO and district courts interpret claims.

Whatever ambiguity might appear when section 316(a)(4) is read in isolation, the PTO's interpretation is not among the arguably "permissible meanings [that] produces a substantive effect that is compatible with the rest of the law." *Utility Air Regulatory Grp.*, 134 S. Ct. at 2442 (quoting *United Sav. Ass'n of Tex.* v. *Timbers of Inwood Forest Assocs., Ltd.*, 484 U.S. 365, 371 (1988)); *see id.* (quoting *Robinson* v. *Shell Oil Co.*, 519 U.S. 337, 341 (1997) ("[R]easonable statutory interpretation must account for both 'the specific context in which language is used' and 'the broader context of the statute as a whole.'") (ellipses omitted).

CONCLUSION

The judgment of the Federal Circuit should be reversed.

Respectfully submitted,

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APPENDIX

APPENDIX

INTERESTS OF THE INDIVIDUAL *AMICI CURIAE*

SiOnyx, LLC. Founded in 2006 by Professor Eric Mazur and Dr. James Carey of Harvard University, SiOnyx, LLC commercializes a patented process that dramatically enhances silicon's sensitivity to infrared light. The result—called "black silicon"—is a lower-cost, higher-performance image sensor with broad applications in commercial, consumer, and defense applications, from biometrics to security cameras and night-vision goggles, including SiOnyx's XQE line of image sensors.

Andrea Electronics Corporation. Based on Long Island, New York, Andrea Electronics Corporation has long been a pioneer of audio innovations. Andrea's historical products are showcased in the Henry Ford Museum and Smithsonian Museum of American History. Today, Andrea is a global leader in patented digital microphone technology for computer applications such as voice over the Internet (VoIP) communications and demanding automatic speech recognition software. With fewer than twenty employees, Andrea is a publicly traded company that continues to be run by the grandson of its founder.

ASSIA, Inc. Founded in 2003 as a spin-out of Stanford University, Redwood City, California-based ASSIA, Inc. pioneered the remote software management of internet physical-layer connection quality. With a global portfolio of some 600 patents, ASSIA produces innovative products used by nearly three dozen major Tier 1 and Tier 2 internet service providers, allowing these customers significant operational expense reductions for internet connections

consisting of fiber, copper DSL, Wi-Fi, and now some LTE connections.

Cresta Technologies. Founded in 2005 and located in Silicon Valley, CrestaTech is the creator of Smart Tuner™ integrated circuits that have successfully eliminated the need for traditional "can" tuners and reduced the cost of developing thin flat panel TVs. Deployed in millions of the world's leading brand-name products, CrestaTech Smart Tuner™ integrated circuits feature a patented precision radio frequency analog front-end and digital signal processing architecture that provides consistent, interference-free global broadcast signals.

Medversant Technologies LLC. Founded in 1999 and headquartered in Los Angeles, California, Medversant is a pioneer in healthcare technology. Medversant's web-based provider data management platform reduces costs and enhances patient safety by automatically and continuously checking for changes in license, OIG status, DEA certification, contact information, and more, helping prevent problems before they occur.

Netlist Inc. Founded in 2000 and headquartered in Irvine, California, Netlist is a leading provider of high-performance modular memory subsystems to the world's premier computer equipment manufacturers. Netlist specializes in hybrid memory—the merging of DRAM and NAND flash raw materials to create memory solutions. The company's patented memory technologies provide superior performance, and high density in a cost efficient solution. From database to enterprise applications, Netlist serves diverse industries that require superior memory

performance to empower critical business decisions in today's data-driven environment.

SEVEN Networks LLC. Founded in 2000, SEVEN Networks provides innovative mobile software solutions that deliver device-centric traffic management and analytics for both wireless carriers and end users globally. The company's Open Channel product family reduces operator costs, increases efficiency of wireless infrastructure, and enhances the end-user experience. Its traffic optimization software relieves network congestion by significantly reducing mobile signaling traffic through sophisticated algorithms that can detect redundant traffic patterns. The company's products are backed with over 450 granted and pending patents covering technologies core to the mobile ecosystem.

Smartvue Corporation. Smartvue revolutionized the world of surveillance with the introduction of the first wireless, cloud-based video surveillance system in 1999. Today, Smartvue leads the industry with Smartvue, Cloudvue, CloudDrive, and Commandvue IOT cloud services which are available in 140 countries around the world. The company also leads innovation in its industry with more than 45 patents in the United States, EU, and China. Smartvue is dedicated to making the world a safer place with amazing video surveillance technologies that are elegantly simple.

TriPlay, Inc. TriPlay, Inc. is a premier cloud services company, enabling users worldwide to easily access and enjoy their music, photos, and other digital files across any computer, smart phone, TV, or wearable device. Founded in 2004 by Tamir Koch, an immigrant to the United States, the company

offers unique personal cloud products that work with all devices, operating systems, screen resolutions, file formats, networks, and geographies.

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No. 15-446

In The Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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TABLE OF AUTHORITIES

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Allergan, Inc. v. Sandoz, Inc.,
726 F.3d 1286 (Fed. Cir. 2013) 20

B & B Hardware, Inc. v. Hargis Indus., Inc.,
135 S. Ct. 1293 (2015) 22

Chimie v. PPG Indus., Inc.,
402 F.3d 1371 (Fed. Cir. 2005) 16

Cohesive Techs., Inc. v. Waters Corp.,
543 F.3d 1351 (Fed. Cir. 2008) 16

Convolve, Inc. v. Compaq Computer Corp.,
--- F.3d ---, 2016 WL 520247 (Fed. Cir. Feb. 10, 2016) 16

Ernst & Ernst v. Hochfelder,
425 U.S. 185 (1976) 11, 14

Federal Election Comm'n v. Democratic Senatorial Campaign Comm.,
454 U.S. 27 (1981) 6

Fenner Invs., Ltd. v. Cellco P'ship,
778 F.3d 1320 (Fed. Cir. 2015) 17

General Elec. Co. v. Wabash Appliance Corp.,
304 U.S. 364 (1938) 17

Hibbs v. Winn,
542 U.S. 88 (2004) 14

In re Cuozzo Speed Techs., LLC,
793 F.3d 1268 (Fed. Cir. 2015) 22

In re Skvorecz,
580 F.3d 1262 (Fed. Cir. 2009) 12, 13, 16

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984) 13

Janssen Pharmaceutica, N.V. v. Apotex, Inc.,
540 F.3d 1353 (Fed. Cir. 2008) 18

Markman v. Westview Instruments, Inc.,
517 U.S. 370 (1996) 18, 22

Nike, Inc. v. Adidas AG,
--- F.3d ---, 2016 WL 537609 (Fed. Cir. Feb. 11, 2016) 12

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005) 3, 11

Pilot Life Ins. Co. v. Dedeaux,
481 U.S. 41 (1987) 5

Synopsys, Inc. v. Mentor Graphics Corp.,
--- F.3d ---, 2016 WL 520236 (Fed. Cir. Feb. 10, 2016) 14

Ultratec, Inc. v. CaptionCall, LLC,
611 F. App'x 720 (Fed. Cir. 2015) 20

Whitserve, LLC v. Computer Packages, Inc.,
694 F.3d 10 (Fed. Cir. 2012) 20

STATUTES:

35 U.S.C.
§ 301(a)(2) 15, 16
§ 301(d) 16
§ 305 ..... 3, 13
§ 316(d)(1) 14
§ 325(d) 14

Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) 3

OTHER AUTHORITIES:

37 C.F.R. § 42.100(b) 3, 5, 22

152 CONG. REC. S8830 (daily ed. Aug. 3, 2006) (statement of Sen. Hatch) 8

157 CONG. REC. S951 (daily ed. Feb. 28, 2011) (statement of Sen. Hatch) 9

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157 CONG. REC. S1361 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy) 8

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Ferrum Ferro Capital, LLC v. Allergan Sales, LLC, No. IPR2015-00858, 2015 WL 5608290 (P.T.A.B. Sept. 21, 2015) 22

Ford Motor Co. v. Paice LLC, No. IPR2014-00904, 2015 WL 8536745 (P.T.A.B. Dec. 10, 2015) 20

Google, Inc. v. Whitserve LLC, No. IPR2013-00249, 2014 WL 4537504 (P.T.A.B. Sept. 9, 2014) 20

H.R. REP. NO. 112-98, pt. 1 (2011) 6, 7, 9, 10

The Impact of Abusive Patent Litigation Practices on the American Economy: Hearing Before the S. Comm. on the Judiciary, 114th Cong. (2015) (statement of Hans Sauer, Ph.D, Deputy General Counsel for Intellectual Property, Biotechnology Industry Association) 21

Innovation Act: Hearing on H.R. 3309 Before the H. Comm. on the Judiciary, 113th Cong. (2013) (statement of David J. Kappos) 11

Irving, Tom, et al., *The Latest Unsuccessful* Inter Partes *Review Petitions* (Oct. 30, 2015) 19

MPEP § 2111 (9th ed. Rev. July 2015) 15

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PHRMA, 2015 PROFILE, BIOPHARMACEUTICAL RESEARCH INDUSTRY, KEY FACTS (Apr. 2015) 18

S. REP NO. 110-259 (2008) 8

USPTO, PATENT TRIAL AND APPEAL BOARD STATISTICS (Dec. 31, 2015), ... 19

USPTO, REPORT TO CONGRESS ON *INTER PARTES* REEXAMINATION (2004) 7

ZTE Corp. v. IPR Licensing, Inc., No. IPR2014-00525, 2014 WL 10405879 (P.T.A.B. Sept. 14, 2014) 20

In The
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CUOZZO SPEED TECHNOLOGIES, LLC,

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MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

INTEREST OF *AMICUS CURIAE*[1]

The Pharmaceutical Research and Manufacturers of America (PhRMA) represents the

[1] This brief is filed with the written consent of all parties through letters of consent on file with the Clerk. No counsel for any party authored this brief in whole or in part, and no person or entity other than *amicus curiae*, its members, or its counsel made a monetary contribution intended to fund its preparation or submission.

country's leading innovative pharmaceutical and biotechnology companies, which are devoted to discovering and developing medicines that enable patients to live longer, healthier, and more productive lives. Those efforts produce the cutting-edge medicines, treatments, and vaccines that save, prolong, and improve the quality of the lives of countless individuals around the world every day. Over the past decade, PhRMA's members have secured FDA approval of more than 300 new medicines. Such results are not obtained cheaply. In 2014 alone, PhRMA members invested roughly $51 billion in development of new medicines.

PhRMA seeks to advance public policies that foster innovation and encourage its members' investments. To those ends, PhRMA seeks to remove barriers that may arise in the nation's patent and other systems for protecting the intellectual property of its members—including as *amicus curiae* before this Court. *See, e.g.*, *Commil USA, LLC v. Cisco Systems, Inc.*, No. 13-896; *Association for Molecular Pathology v. Myriad Genetics, Inc.*, No. 12-398; *Microsoft Corp. v. i4i Ltd. P'ship*, No. 10-290. As discussed herein, the Federal Circuit's decision creates one such barrier of particular importance. By upholding the Patent and Trademark Office's adoption of the "broadest reasonable interpretation" standard for *inter partes* review proceedings, rather than requiring application of the claim construction principles applied by district courts, the Federal Circuit has endorsed a forum-dependent scheme for adjudicating patent validity that breeds uncertainty and stifles innovation.

INTRODUCTION AND SUMMARY OF ARGUMENT

In response to growing concern that the costs of patent litigation were negatively affecting the climate for investment and innovation, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011). The AIA took steps to address concerns over litigation costs by encouraging adjudication of the most common patent validity disputes in the U.S. Patent and Trademark Office (PTO) through the creation of new post-grant proceedings—including *inter partes* review (IPR)—conducted by a newly created Patent Trial and Appeal Board (PTAB). At the same time, Congress eliminated *inter partes* reexamination proceedings in which the PTO and the patent holder were able to repeat the iterative process of amending an issued patent—as construed under a broadest reasonable interpretation (BRI) standard—to determine patentability in light of new prior-art evidence. *See* 35 U.S.C. § 305; 37 C.F.R. § 42.100(b).

By all accounts, Congress created IPR to serve as a cost-effective and efficient substitute for litigating patent validity in district court. Rather than give effect to that intent, the Federal Circuit's decision puts IPR on an entirely different path: while a district court gives patent claims their ordinary and customary meaning, *see Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-1313 (Fed. Cir. 2005) (en banc), the PTAB (pursuant to a PTO regulation) applies the BRI standard historically reserved for the PTO's issuance and reexamination of patents. The Federal Circuit compounded that error by concluding that,

contrary to the presumption in favor of judicial review, the threshold decision to institute IPR proceedings is not reviewable as part of an appeal challenging the PTAB's final written decision.

For the reasons set forth in Petitioner's brief, PhRMA agrees that the decision below should be reversed as to both questions presented. PhRMA writes separately to counter the PTO's suggestion (Br. in Opp'n 10-11, 14 & n.3)—relevant to the first question presented—that IPR is more analogous to initial examination or *inter partes* reexamination than to district court litigation. The AIA's history and the provisions governing IPR leave no doubt that Congress was distancing itself from the failed *inter partes* reexamination proceeding and adopting a new, streamlined adjudicative proceeding akin to district court litigation. Accordingly, given that context, there is no reason to assume—as does the decision below—that Congress intended that the BRI standard, rather than the principles set forth in *Phillips*, would govern claim construction in IPR proceedings.

The Federal Circuit's error is further laid bare by the fact that the currently distorted version of IPR has introduced considerable uncertainty in the construction of patent claims, increased the risk of conflicting invalidity decisions, and subjected patent holders to the cost of defending against such challenges. As such, the PTO's regulation has undercut a central reform that Congress enacted to strengthen the U.S. patent system, thereby allowing flaws of the pre-AIA patent system to continue unabated and, arguably, be exacerbated. All of those

consequences threaten the predictability and strength of the protection that the patent system provides to innovators and the public alike.

ARGUMENT

USE OF THE BRI STANDARD FLOUTS CONGRESSIONAL INTENT THAT IPR PROCEEDINGS BE A SUBSTITUTE FOR LITIGATION

As this Court has stated "[o]n numerous occasions," "[i]n expounding a statute, we must *** look to the provisions of the whole law, and to its object and policy." *Pilot Life Ins. Co. v. Dedeaux*, 481 U.S. 41, 51 (1987) (second alteration in original). The Federal Circuit claimed it saw *no* evidence of Congress's intent that a patent claim be given, consistent with established practice in district courts, its ordinary and customary meaning in IPR proceedings,. *See* Pet. App. 12a, 19a; *see also* Pet. App. 51a-52a (Dyk, J., concurring in the denial of the petition for rehearing *en banc*). As such, the Federal Circuit upheld the PTO's regulation instructing the PTAB to give a claim "its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. § 42.100(b).

That decision is deeply flawed. Although the AIA does not explicitly specify the claim construction standard to be used in IPR proceedings, it is anything but "silent" (Pet. App. 12a) on that front. Congress indicated repeatedly that IPR proceedings should be a *complete substitute* for costly litigation—a goal achieved only if the PTAB and district courts use a single claim construction standard to answer the same validity question—and far removed from the

discarded *inter partes* reexamination proceedings where liberal amendment of patent claims, in the context of a PTO examination, justified the use of the BRI standard. The PTO's refusal to apply the *Phillips* standard of claim construction in IPR proceedings thus impedes Congress's intent by allowing duplicative litigation to proliferate. As courts "must reject administrative constructions of [a] statute *** that are inconsistent with the statutory mandate or that frustrate the policy that Congress sought to implement," *Federal Election Comm'n v. Democratic Senatorial Campaign Comm.*, 454 U.S. 27, 32 (1981), the decision below should be reversed.

A. PTO's BRI Regulation Thwarts Congress's Attempt To Make IPR A "Complete Substitute" For District Court Adjudication

1. Congress replaced inter partes *reexamination with IPR to create a better litigation alternative.*

a. Congress's enactment of the AIA in 2011 represented the culmination of a decades-long effort to "correct flaws in the [U.S. patent] system that ha[d] become unbearable, and to accommodate changes in the economy and the litigation practices in the patent realm"—a task that had not been accomplished for nearly 60 years. H.R. REP. NO. 112-98, pt. 1, at 38-39 (2011) (cataloging efforts). Among Congress's chief concerns was the need to "limit unnecessary and counterproductive litigation costs." *Id.* at 40; *see id.* (expressing need to "reduc[e] unwarranted litigation costs").

That substantial barrier to American innovation had arisen because there was no viable administrative alternative to litigating validity disputes in district court. Although Congress in 1980 authorized *ex parte* reexamination "in the expectation that it would serve as an effective and efficient alternative to often costly and protracted district court litigation," "several limitations" frustrated the realization of that goal. H.R. REP. NO. 112-98, pt. 1, at 45.

In 1999, at the suggestion of "[i]nterested parties *** that the volume of lawsuits in the Federal District Courts would be reduced if third parties were encouraged to, and able to, use reexamination procedures that provided an opportunity for them to present their case for patent invalidity at the USPTO during the examination stage of the proceeding," Congress created *inter partes* reexamination. USPTO, REPORT TO CONGRESS ON *INTER PARTES* REEXAMINATION 2 (2004) (hereinafter "PTO Report"); *see* H.R. REP. NO. 112-98, pt. 1, at 45. But as the PTO advised Congress, numerous unaddressed defects prevented *inter partes* reexamination from becoming "an inexpensive way, as compared with litigation, for a third party who discovers new prior art to challenge the patent." PTO Report, *supra*, at 4. In the end, "none of the[] [existing] post-grant review procedures alone, or collectively, *** prove[d] sufficient to optimize the USPTO's post-grant review capability." *Id.* at 3.

b. Over the ensuing years, Congress—in conjunction with a diverse collection of stakeholders—mounted a sustained effort to address

the shortcomings of the reexamination system. *See, e.g.*, 157 CONG. REC. S1361 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy) (noting support by "both business and labor"). In contrast to other aspects of patent reform, there was little controversy that the elimination of unnecessary litigation costs could be achieved only by ensuring that new post-grant review proceedings be a "*complete* substitute," S. REP. NO. 110-259, at 66 (2008) (emphasis added), such that parties would no longer be "forc[ed] *** to fight in two fora at the same time," 157 CONG. REC. S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy).

Members of Congress expressed that sentiment repeatedly. For instance:

- "Section 6 contains procedures for instituting a new type of post-grant review proceeding that will allow the validity of a patent to be challenged in an administrative proceeding conducted by the Patent and Trademark Office *rather than in court litigation*." 152 CONG. REC. S8830 (daily ed. Aug. 3, 2006) (statement of Sen. Hatch) (emphasis added).
- "It is clearly appropriate to have an administrative process for challenging patent validity, but it should exist within a structure that guarantees a quick—*and final*—determination." *Patent Reform Act of 2009: Hearing Before the House Comm. on the Judiciary*, 111th Cong. 153 (2009) (statement of Rep. Manzullo) (emphasis added).

- "The bill will also establish another means to administratively challenge the validity of a patent at the U.S. Patent and Trademark Office, USPTO—creating a cost-effective *alternative to formal litigation*, which will further enhance our patent system." 157 CONG. REC. S951 (daily ed. Feb. 28, 2011) (statement of Sen. Hatch) (emphasis added).

There was also consensus that a "structural change" was imperative. 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl). Rather than attempt to improve *inter partes* reexamination, Congress eliminated it altogether in favor of an "*adjudicative* proceeding in which the *petitioner *** bears the burden of showing unpatentability*." *Id.* (emphasis added). To that end, Congress focused on importing and adapting the basic aspects of district court litigation to ensure cost-effective resolution of the most common validity disputes. *See, e.g.*, *id.* at S1375-S1376 (discussing high threshold for surmounting dismissal of IPR petition at outset, limited discovery, and a one-year deadline for completing review). It was in that sense that the new post-grant proceedings would be an "efficient alternative to litigation." 157 CONG. REC. S1350 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy).

c. Congress adopted those aspects of patent reform wholesale. In particular, it explained that "[t]he [AIA] *converts* inter partes reexamination from an examinational to an *adjudicative* proceeding" and, consistent with that structural change, "renames the proceeding 'inter partes review.'" H.R. REP. NO. 112-

98, pt. 1, at 46-47 (emphasis added); *id.* at 75 (stating that AIA "create[d] adjudicative systems of post-grant and inter partes review"). Congress also explicitly equated IPR with district court litigation, instructing that the "new procedure *** would take place in a court-like proceeding in which both the challenger and the owner of the patent present information regarding the validity of a patent" based on familiar litigation-type rules. *Id.* at 68; *see id.* at 47 (discussing standard for institution decision, petitioner's burden, the ability to "depose witnesses submitting affidavits or declarations" and other discovery, and the "right to request an oral hearing").

Indeed, Congress determined that the overlap between IPR and district court litigation was sufficient to bar parties "from seeking or maintaining an inter partes review if they file an action for a declaratory judgment that the patent is invalid." H.R. REP. NO. 112-98, pt. 1, at 47. Conversely, a civil action raising a validity dispute already subject to IPR would be "automatically stayed." *Id.* at 75. Those provisions strengthened protections against "multiple challenges to a patent." *Id.* at 48.

At bottom, Congress resolved through IPR to "remove current disincentives to current administrative processes" by averting "repeated litigation and administrative attacks on the validity of a patent." H.R. REP. NO. 112-98, pt. 1, at 48. Allowing IPR to fall prey to the deficiencies inherent in the "current administrative processes," Congress warned, "would frustrate the purpose of the section as providing quick and cost effective alternatives to

litigation" and "divert resources from the research and development of inventions." *Id.*

2. Application of the BRI standard to IPR cannot be reconciled with Congress's objective.

Giving short shrift to Congress's plainly expressed intent, the PTO's BRI regulation propagates, rather than mitigates, the inefficiencies that the AIA was enacted to address. The Federal Circuit was therefore wrong to endorse it. *See Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 214 (1976) (invaliding regulation "when [statute's] history reflects no more expansive intent").

Under the Federal Circuit's decision, the PTAB in an IPR evaluates claims under a BRI standard, which ignores prosecution history and extrinsic evidence, whereas a district court applies the "ordinary and customary meaning" principles of claim construction set forth in *Phillips*, 415 F.3d at 1312-1313. To the extent the BRI standard enlarges the scope of patent claims beyond the construction compelled under *Phillips*, the tribunals confront the same patent claims in name only. That difference in claim scope, in turn, can lead to different conclusions as to the validity of the same claims: the broader a claim construction, the greater the availability of potentially invalidating prior art. *See Innovation Act: Hearing on H.R. 3309 Before the H. Comm. on the Judiciary*, 113th Cong. 8 (2013) (statement of David J. Kappos) ("[H]aving the USPTO apply a different

standard than the courts is leading, and will continue to lead, to conflicting decisions.").[2]

Such a regime is the antithesis of what Congress enacted. IPR can serve as a "complete substitute" to litigation only if the district court and the PTAB consider the question of validity for the same patent claims in a consistent manner. Because district courts are bound by *Phillips* to give patents their ordinary and customary meaning, it follows that the transformation of a purely administrative proceeding into a district-court surrogate leaves no room for the application of the BRI standard in IPR proceedings.

Congress's explicit desire to break the mold of *inter partes* reexamination confirms that conclusion. BRI "is solely an *examination* expedient, not a rule of claim construction." *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009) (emphasis added). As such, it has no place in construing claims for purposes of resolving validity disputes in IPR—an *adjudicative* proceeding. Far from suggesting that IPR bears any resemblance to *inter partes* reexamination, the Federal Circuit and the PTO have acknowledged that IPRs "are *distinctly* different from a typical PTO examination or reexamination where a patent examiner performs a prior art search and independently conducts a patentability analysis of all claims, whether newly proposed or previously existing." *Nike, Inc. v. Adidas AG*, --- F.3d ---, 2016 WL 537609, at *3 (Fed. Cir. Feb. 11, 2016) (emphasis added); *see* Decision at 4, *Google Inc. v. Jongerius*

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[2] *Available at* http://judiciary.house.gov/_files/hearings/113th/10292013/Kappos%20Testimony.pdf.

Panoramic Techs., LLC, No. IPR2013-00191 (P.T.A.B. filed Feb. 13, 2014) ("An *inter partes* review is neither a patent examination nor a patent reexamination. Rather, it is a trial, adjudicatory in nature and constitutes litigation."). The Federal Circuit thus erred in assuming (Pet. App. 15a) that Congress intended to import a foundational element of *inter partes* reexamination into IPR.

As the dissenting panel and en banc opinions explain (Pet. App. 37a-40a, 55a-58a, 65a), moreover, the BRI standard has *never* been applied to decide questions of invalidity in adjudicatory proceedings without the right to amend claims freely. To the contrary, use of BRI has always been tied to "[a]n applicant's ability to amend his claims to avoid cited prior art." *In re Yamamoto*, 740 F.2d 1569, 1571-1572 (Fed. Cir. 1984) (citation and quotation marks omitted); *see also* 35 U.S.C. § 305 (providing that in reexamination "the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto"). That iterative process "distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents" because in the former "the applicant has the ability to correct errors in claim language and adjust the scope of claim protection *as needed*." *In re Yamamoto*, 740 F.2d at 1572 (emphasis added); *see In re Skvorecz*, 580 F.3d at 1267 (noting that BRI standard used in context "when claims are readily changed").

Congress offered no such iterative process within IPR. Instead, amendment of claims is presumptively limited to cancellation or substitution

of claims of no broader scope in a *single* motion, 35 U.S.C. § 316(d)(1)—a practice that has allowed amendment only 5.51% of the time to date, *see Synopsys, Inc. v. Mentor Graphics Corp.*, --- F.3d ---, 2016 WL 520236, at *29 (Fed. Cir. Feb. 10, 2016) (Newman, J., dissenting). IPR proceedings thus bear little resemblance to prior forms of examination and reissuance proceedings from which the BRI standard derives. No rationale justifies decoupling the BRI standard from an opportunity to amend claims freely, as the decision below did here.

B. Consideration Of Prosecution History In IPR, As Permitted By The AIA, Is Inconsistent With Application Of The BRI Standard

Beyond Congress's explicit instruction that IPR should be a complete substitute for litigation, AIA provisions reinforce that the use of BRI, while suitable for reexamination, is incompatible with IPR. *See Ernst & Ernst*, 425 U.S. at 213-214 (holding agency regulation invalid where it contravenes "the will of Congress as expressed by the statute").

Section 325(d) provides that the PTO may take prosecution history into account when "determining whether to institute or order" IPR, 35 U.S.C. § 325(d)—a determination that requires the PTAB to arrive at an initial claim construction. The decision below renders that provision hollow because, unlike claim construction under *Phillips*, the BRI standard eschews consideration of prosecution history. *See Hibbs v. Winn*, 542 U.S. 88, 101 (2004) (canon against superfluity).

As the PTO's Manual of Patent Examining Procedure explains,

> Patented claims are not given the broadest reasonable interpretation during court proceedings involving infringement and validity, and can be interpreted based on a fully developed prosecution record. In contrast, an examiner must construe claim terms in the broadest reasonable manner during prosecution as is reasonably allowed in an effort to establish a clear record of what applicant intends to claim. Thus, the Office does not interpret claims in the same manner as the courts.

MPEP § 2111 (9th ed. Rev. July 2015); *see* MPEP § 2111.01 (9th ed. Mar. 2014) ("Although claims of *issued* patents are interpreted in light of the specification, prosecution history, prior art and other claims, this is not the mode of claim interpretation to be applied during examination. During examination, the claims must be interpreted as broadly as their terms reasonably allow.").

Similarly, the AIA amends 35 U.S.C. § 301 to allow various new categories of information to be submitted to the PTO, including "statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent." 35 U.S.C. § 301(a)(2). That information becomes part of the prosecution history and can be used only "to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to" (among other provisions)

section 314 (IPR). *Id.* § 301(d); *see* 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (explaining that Section 301(a)(2) written statements are "to be made a part of the official file of the patent").

The "proper meaning of a patent claim," 35 U.S.C. § 301(a)(2), however, is not the broadest reasonable interpretation of that claim. The "proper construction" is "fixed, unambiguous, [and] legally operative," *see Chimie v. PPG Indus., Inc.*, 402 F.3d 1371, 1375 n.2, 1377 (Fed. Cir. 2005), and is reached by "applying the principles articulated in *Phillips*"—including consideration of prosecution history, *Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351, 1371 (Fed. Cir. 2008). By contrast, the broadest reasonable interpretation represents an outer limit reached by "exploring the metes and bounds to which the applicant may be entitled." *In re Skvorecz*, 580 F.3d at 1267. The "differences between the broadest reasonable interpretation standard and *Phillips*" make them anything but interchangeable. *Convolve, Inc. v. Compaq Computer Corp.*, --- F.3d ---, 2016 WL 520247, at *10 (Fed. Cir. Feb. 10, 2016) (reversing district court for relying on examiner's broadest reasonable interpretation in inquiry requiring application of *Phillips*).

C. PTO's BRI Regulation Undermines Certainty Of Claim Scope And Creates Risk Of Conflicting Constructions

As the joint dissent from the denial of rehearing *en banc* observes, the decision below "fails to explain why Congress (or anyone else) would have thought it desirable or necessary for the Board to construe the

claims during IPRs under a different legal framework than the one used by district courts." Pet. App. 54a-55a. Unfortunately, experience has proven that statement to have found its mark.

1. Forum-dependent construction of patent claims obscures their scope.

This Court has long warned that "[t]he limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others, and the assurance that the subject of the patent will be dedicated ultimately to the public." *General Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938). Such clarity cannot be achieved under the Federal Circuit's endorsement of a dual standard for claim construction, which creates a forum-dependent scheme for assessing the protection provided by, and validity of, an issued patent. Application of distinct claim construction standards disparately "capture[s] the scope of the actual invention that is disclosed, described, and patented." *Fenner Invs., Ltd. v. Cellco P'ship*, 778 F.3d 1320, 1323 (Fed. Cir. 2015) (citation and internal quotation marks omitted). That fact creates the risk that a patent claim could be (correctly) found valid by a district court under *Phillips*, but also (correctly) found invalid by the PTAB in an IPR proceeding under the BRI standard.

That new reality clouds and diminishes patent rights to the detriment of patent holders, innovators, and the public at large. Uncertainty regarding the scope of patent claims and their validity is costly to the inventive community and discourages innovation. Uniformity in claim construction is critical to avoid "a

zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims [that] would discourage invention only a little less than unequivocal foreclosure of the field." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996) (citation and quotation marks omitted).

Such uncertainty is of particular concern to PhRMA's members, which invest billions in research and development to discover new therapies—including $51 billion in 2014 alone. Indeed, in the twenty-first century, it costs an average of $2.6 billion to develop a new drug.[3] Meaningful patent protection is required to justify that investment, especially in the face of frequent validity challenges in litigation arising under the Hatch-Waxman Act. *See Janssen Pharmaceutica, N.V. v. Apotex, Inc.*, 540 F.3d 1353, 1356 (Fed. Cir. 2008). Worse still, application of distinct claim construction standards creates an unfair system where patent claims are considered in a narrower manner for infringement purposes in district court and a broader manner for IPR validity challenges; such a system skews results against patent holders and leads to inconsistent determinations.

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[3] PHRMA, 2015 PROFILE, BIOPHARMACEUTICAL RESEARCH INDUSTRY, KEY FACTS (inside cover) (Apr. 2015), http://www.phrma.org/sites/default/files/pdf/2015_phrma_profile.pdf.

2. Patents deemed valid in district court are being invalidated in IPR.

Those concerns are far from academic. The PTAB's application of the BRI standard has seen nearly 70% of properly joined IPR petitions granted,[4] with 87% of final written decisions finding at least some claims unpatentable.[5] By contrast, invalidity challenges litigated in federal court prevail only 42% of the time. *See* John R. Allison et al., *Understanding the Realities of Modern Patent Litigation*, 92 TEX. L. REV. 1769, 1787 (2014). That significant discrepancy belies any suggestion that IPR invalidity determinations are a surrogate for those made in district court.

As recent IPR proceedings demonstrate, the application of different claim construction standards works against Congress's goal of streamlining invalidity proceedings. *See* J. Steven Baughman et al., *Coordinating PTAB and District Court Litigation*, PRAC. L.J., Dec. 2014/Jan. 2015, at 34, 36 (reporting that 80% of patents subject to an IPR are also involved in district court litigation). Unsuccessful challenges to the validity of patents are resurfacing in IPR proceedings—oftentimes with a different

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[4] Tom Irving et al., *The Latest Unsuccessful* Inter Partes *Review Petitions*, LAW360.COM (Oct. 30, 2015), http://www.law360.com/articles/717123/the-latest-unsuccessful-inter-partes-review-petitions.

[5] USPTO, PATENT TRIAL AND APPEAL BOARD STATISTICS 9 (Dec. 31, 2015), http://www.uspto.gov/sites/default/files/documents/2015-12-31%20PTAB.pdf.

result.[6] That hardly fulfills Congress's promise that, with the creation of IPR, patent holders will no longer need to defend their patents unnecessarily in two fora. *See* pp. 7-11, *supra*.

To take one example, for years, Allergan had been defending against challenges in court under the Hatch-Waxman Act that four Orange-Book-listed patents covering its combination eye-drop product used for treating glaucoma are invalid for obviousness. After construing the asserted claims using the principles outlined in *Phillips*, a district court concluded that there was insufficient proof that a claim of U.S. Patent No. 7,030,149 would have been obvious to someone of ordinary skill in the art. The Federal Circuit affirmed, and this Court denied review. *See Allergan, Inc. v. Sandoz, Inc.*, 726 F.3d

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[6] *Compare* Special Verdict at 7, *Paice LLC v. Hyundai Motor Co.*, No. 1:12-cv-499-MJG (D. Md. Oct. 7, 2015), ECF No. 756 (finding no invalidity), *with Ford Motor Co. v. Paice LLC*, No. IPR2014-00904, 2015 WL 8536745 (P.T.A.B. Dec. 10, 2015) (invalidating claims); Orders, *InterDigital Commc'ns Inc. v. ZTE Corp.*, No. 1:13-cv-9-RGA (D. Del. Aug. 28 and Nov. 5, 2014), ECF Nos. 361, 453 (denying pre- and post-trial motions for finding of invalidity), *with ZTE Corp. v. IPR Licensing, Inc.*, No. IPR2014-00525, 2014 WL 10405879 (P.T.A.B. Sept. 14, 2014) (invalidating claims); *Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10, 24-25 (Fed. Cir. 2012) (affirming jury verdict rejecting invalidity), *with Google, Inc. v. Whitserve LLC*, No. IPR2013-00249, 2014 WL 4537504 (P.T.A.B. Sept. 9, 2014) (invalidating claims). *Cf. Ultratec, Inc. v. CaptionCall, LLC*, 611 F. App'x 720 (Fed. Cir. 2015) (mem.) (rejecting mandamus petition to require patent case already litigated to $44 million verdict to continue with post-trial phase on invalidity after district court stayed litigation in light of IPR final written decision invalidating all but one asserted claim).

1286, 1293-1294 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 1764 (2014).

Following the conclusion of the federal court litigation, however, "a recently-formed, self-described privately-held investment venture" filed an IPR petition raising the *same* invalidity issue. *The Impact of Abusive Patent Litigation Practices on the American Economy: Hearing Before the S. Comm. on the Judiciary*, 114th Cong. 18-19 (2015) (statement of Hans Sauer, Ph.D, Deputy General Counsel for Intellectual Property, Biotechnology Industry Association);[7] *see also* Complaint, *Allergan, Inc. v. Ferrum Ferro Capital, LLC*, No. 8:15-cv-992 (C.D. Cal. June 19, 2015), ECF No. 1 (alleging that subsequent IPR filing was extortion attempt by shell company). Citing the Federal Circuit's decision in this case and the PTO's regulation, the IPR petition candidly argued that the application of the BRI standard compelled the invalidation of the same patent claim on the same obviousness grounds. *See* Petition for Inter Partes Review of U.S. Patent No. 7,030,149, at 7, 15-16, *Ferrum Ferro Capital, LLC v. Allergan Sales, LLC*, No. IPR2015-00858 (P.T.A.B. filed Mar. 9, 2015).[8]

Despite ultimately declining to institute IPR proceedings under either claim construction standard, the PTAB readily accepted that "[f]or *inter partes* review, claim terms in an unexpired patent are

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[7] *Available at* http://www.judiciary.senate.gov/imo/media/doc/03-18-15 Sauer Testimony.pdf.

[8] *Available at* http://fishpostgrant.com/wp-content/uploads/IPR2015-00858-petition.pdf.

given their broadest reasonable interpretation in light of the patent specification." *Ferrum Ferro Capital, LLC v. Allergan Sales, LLC*, No. IPR2015-00858, 2015 WL 5608290, at *3, *5-*7 (P.T.A.B. Sept. 21, 2015) (citing 37 C.F.R. § 42.100(b); *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1275-1278 (Fed. Cir. 2015)). Thus, if the petitioner had prevailed, the Federal Circuit would have faced the prospect of declaring Allergan's patent claim obvious, even though it had rejected that argument already.

Permitting a single patent claim to have different constructions and to be valid or invalid depending on the forum—IPR or district court—in which the claim is adjudicated contravenes the uniformity, certainty, and efficiency that the creation of the Federal Circuit was meant to foster. *See Markman*, 517 U.S. at 390. As this Court recently noted in the context of the preclusive effect of proceedings before the Trademark Trial and Appeal Board, the "idea is straightforward" that "[o]nce a court has decided an issue, it is 'forever settled as between the parties, thereby protect[ing] against the expense and vexation attending multiple lawsuits, conserv[ing] judicial resources, and foster[ing] reliance on judicial action by minimizing the possibility of inconsistent verdicts." *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1302 (2015) (alterations except first in original) (citations and internal quotation marks omitted). The decision below stands at odds with those values.

CONCLUSION

For the foregoing reasons, the decision of the Federal Circuit should be reversed.

Respectfully submitted.

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Supreme Court, U.S
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No. 15-446

In The Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

INTEREST OF *AMICUS CURIAE* 1

INTRODUCTION AND SUMMARY OF ARGUMENT 3

ARGUMENT 4

I. THE CLAIM CONSTRUCTION STANDARD FOR IPR PROCEEDINGS IS AN ISSUE OF EXCEPTIONAL IMPORTANCE 4

II. THE FEDERAL CIRCUIT'S DECISION IS WRONG ON THE MERITS 11

CONCLUSION 14

TABLE OF AUTHORITIES

CASES:

Allergan, Inc. v. Sandoz, Inc.,
726 F.3d 1286 (Fed. Cir. 2013) 9
134 S. Ct. 1764 (2014) 9

B & B Hardware, Inc. v. Hargis Indus., Inc.,
135 S. Ct. 1293 (2015) 11

Bancorp Servs., LLC v. Sun Life Assurance Co. of Can. (U.S.),
687 F.3d 1266 (Fed. Cir. 2012) 4

Fenner Invs., Ltd. v. Cellco P'ship,
778 F.3d 1320 (Fed. Cir. 2015) 5

General Elec. Co. v. Wabash Appliance Corp.,
304 U.S. 364 (1938) 5

Hibbs v. Winn,
542 U.S. 88 (2004) 14

In re Cuozzo Speed Techs., LLC,
793 F.3d 1268 (Fed. Cir. 2005) 10

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984) 12

Janssen Pharmaceutica, N.V. v. Apotex, Inc.,
540 F.3d 1353 (Fed. Cir. 2008) 7

Markman v. Westview Instruments, Inc.,
517 U.S. 370 (1996) 6, 11

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005) 3, 5

STATUTES AND REGULATIONS:

35 U.S.C.
§ 282(b)(2) 5
§ 282(b)(3) 5
§ 301 13
§ 301(a)(2) 13
§ 301(d) 13
§ 311(b) 5
§ 321(b) 5
§ 325(d) 13

37 C.F.R.
§ 42.100(b) 3, 10

Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011) 3

OTHER AUTHORITIES:

157 CONG. REC. S1348-02 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy) 7, 12

157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) 13

Allison, John R., et al., *Understanding the Realities of Modern Patent Litigation*, 92 TEX. L. REV. 1769, 1787 (2014) 8

Baughman, J. Steven, et al., *Coordinating PTAB and District Court Litigation*, PRAC. L.J., Dec. 2014/Jan. 2015, at 34 9

THE COALITION FOR 21ST CENTURY PATENT REFORM, ENSURE THAT USPTO POST-GRANT PROCEEDINGS ARE FAIR TO ALL PARTIES (2015) 8

THE COALITION FOR 21ST CENTURY PATENT REFORM, WHY THE PTO'S USE OF THE BROADEST REASONABLE INTERPRETATION OF PATENT CLAIMS IN POST-GRANT AND INTER PARTES REVIEWS IS INAPPROPRIATE UNDER THE AMERICA INVENTS ACT (2013) 8

Docket Navigator, IPR Institution Decisions, (May 2015) 8

Complaint, *Allergan, Inc. v. Ferrum Ferro Capital, LLC*, No. 8:15-cv-992 (C.D. Cal. June 19, 2015) 10

Ferrum Ferro Capital, LLC v. Allergan Sales, LLC, No. IPR2015-00858, 2015 WL 5608290 (P.T.A.B. Sept. 21, 2015) 10

H.R. REP. NO. 112-98, pt. 1 (2011) 7, 13

The Impact of Abuse Patent Litigation Practices on the American Economy: Hearing Before the S. Comm. on the Judiciary, 114th Cong. (2015) (statement of Hans Sauer, Ph.D, General Counsel for Intellectual Property, Biotechnology Industry Association) 9, 10

Innovation Act: Hearing on H.R. 3309 Before the H. Comm. on the Judiciary, 113th Cong. 8 (2013) (statement of David J. Kappos) 6

Petition for Inter Partes Review of U.S. Patent No. 7,030,149, *Ferrum Ferro Capital, LLC v. Allergan Sales, LLC*, No. IPR2015-00858 (P.T.A.B. filed Mar. 9, 2015) 10

PhRMA, 2015 Profile, Biopharmaceutical Research Industry (Apr. 2015) 7

PhRMA, Comments on Trial Proceedings Under the America Invents Act (Oct. 16, 2014) 8

U.S. Patent No. 7,030,149 9

USPTO, Patent Trial and Appeal Board Statistics (Sept. 30, 2015) 8

Walsh, Edmund J., et al., *Preparing for Changes in AIA Post-Grant Amendment Practice* (July 17, 2015) 12

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Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

INTEREST OF *AMICUS CURIAE*[1]

The Pharmaceutical Research and Manufacturers of America (PhRMA) represents the

[1] This brief is filed with the written consent of all parties through letters of consent on file with the Clerk. No counsel for any party authored this brief in whole or in part, and no person or entity other than *amicus curiae*, its members, or its counsel made a monetary contribution intended to fund its preparation or submission.

country's leading innovative pharmaceutical and biotechnology companies, which are devoted to discovering and developing medicines that enable patients to live longer, healthier, and more productive lives. Those efforts produce the cutting-edge medicines, treatments, and vaccines that save, prolong, and improve the quality of the lives of countless individuals around the world every day. Over the past decade, PhRMA's members have secured FDA approval of more than 300 new medicines. Such results are not obtained cheaply. In 2014 alone, PhRMA members invested roughly $51 billion in development of new medicines.

PhRMA seeks to advance public policies that foster innovation and reward its members' investments. To those ends, PhRMA seeks to remove barriers that may arise in the nation's systems, including the patent laws, for protecting the intellectual property of its members—including as *amicus curiae* before this Court. *See, e.g.*, *Commil USA, LLC v. Cisco Systems, Inc.*, No. 13-896; *Association for Molecular Pathology v. Myriad Genetics, Inc.*, No. 12-398; *Microsoft Corp. v. i4i Ltd. P'ship*, No. 10-290. As discussed herein, the Federal Circuit's decision upholding the Patent and Trademark Office's adoption of the "broadest reasonable interpretation" standard for *inter partes* review proceedings creates one such unjustified barrier of particular importance.

INTRODUCTION AND SUMMARY OF ARGUMENT

In response to growing concern that the costs of patent litigation were negatively affecting the climate for investment and innovation, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011). The AIA took the considered step of shifting the adjudication of some patent validity disputes from district courts to the U.S. Patent and Trademark Office (PTO) through the creation of new post-grant proceedings—including *inter partes* review (IPR)—conducted by the Patent Trial and Appeals Board (PTAB). In Congress's view, IPR would serve as a cost-effective and efficient surrogate to litigating patent validity in district court.

The Federal Circuit's decision, however, puts IPR on an entirely different path: while a district court gives patent claims their ordinary and customary meaning, *see Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-1313 (Fed. Cir. 2005) (en banc), the PTAB applies the "broadest reasonable interpretation" (BRI) standard historically reserved for the PTO's issuance and reexamination of patents, *see* 37 C.F.R. § 42.100(b). PhRMA agrees with Petitioner that the decision below is incorrect on the merits. PhRMA writes separately to emphasize that, if left to stand, the decision below will introduce considerable uncertainty in the construction of patent claims, increase the risk of conflicting invalidity decisions, and undercut a central reform that Congress enacted to strengthen the U.S. patent system. All of those consequences threaten the

predictability and strength of protection that the patent system provides to innovators and the public alike. Accordingly, this Court's review is necessary to effectuate Congress's intent that patent claims in IPR proceedings be given their ordinary and customary meaning.

ARGUMENT

I. THE CLAIM CONSTRUCTION STANDARD FOR IPR PROCEEDINGS IS AN ISSUE OF EXCEPTIONAL IMPORTANCE

Because claim construction determines the scope of patent claims, it is often a vital step to adjudicating the validity of those claims. *See Bancorp Servs., LLC v. Sun Life Assurance Co. of Can. (U.S.)*, 687 F.3d 1266, 1273-1274 (Fed. Cir. 2012). The Federal Circuit's ratification of the PTO's BRI regulation has set the claim construction standard applicable in the AIA's newly created and frequently invoked invalidity proceedings. But it has done so in a manner that inevitably will have far-reaching and detrimental consequences for the patent system. As such, the decision below warrants this Court's review. *See* Pet. App. 62a (Newman, J., dissenting from denial of petition for rehearing *en banc*) ("All of the *amici curiae* criticize the panel majority position and urge *en banc* attention to this 'matter of exceptional importance.'").

1. As this Court has long recognized, "[t]he limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others, and the assurance that the subject of the patent will be dedicated ultimately to the

public." *General Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938). Such clarity cannot be achieved under the Federal Circuit's endorsement of a dual standard for claim construction, which creates a forum-dependent scheme for assessing the protection provided by, and validity of, an issued patent.

The sole question in an IPR proceeding is whether certain patent claims are invalid "under section 102 or 103." 35 U.S.C. § 311(b); *see also id.* § 321(b) (post-grant review "relate[s] to invalidity of the patent or any claim"). The same validity question may also be adjudicated by federal district courts. *Id.* § 282(b)(2) & (3). Claims in an IPR proceeding, however, may be construed differently than the same claims in a district court proceeding. That is because the PTO in an IPR proceeding evaluates claims under a BRI standard, which ignores prosecution history and extrinsic evidence, whereas a district court applies the "ordinary and customary meaning" principles of claim construction set forth in *Phillips*, 415 F.3d at 1312-1313. Application of those distinct claim construction standards will disparately "capture the scope of the actual invention that is disclosed, described, and patented." *Fenner Invs., Ltd. v. Cellco P'ship*, 778 F.3d 1320, 1323 (Fed. Cir. 2015) (citation and internal quotation marks omitted).

That difference in claim scope, in turn, can lead to different conclusions as to validity of the same claims: the broader a claim construction, the greater the availability of potentially invalidating prior art. Not surprisingly, then, application of inconsistent

standards will lead to inconsistent results that undermine the predictability of the patent system. *See Innovation Act: Hearing on H.R. 3309 Before the H. Comm. on the Judiciary*, 113th Cong. 8 (2013) (statement of David J. Kappos) ("[H]aving the USPTO apply a different standard than the courts is leading, and will continue to lead, to conflicting decisions.").[2] A patent is either invalid or it is not; it cannot be both under the same provision of federal law. By virtue of the decision below, however, a patent claim could be (correctly) found valid by a district court under *Phillips*, but also (correctly) found invalid by the PTAB in an IPR proceeding under the BRI standard.

That new reality clouds and diminishes patent rights to the detriment of patent holders, innovators, and the public at large. Uncertainty regarding the scope of patent claims and their validity is costly to the inventive community and discourages innovation. As this Court has recognized, uniformity in claim construction is critical to avoid "a zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims [that] would discourage invention only a little less than unequivocal foreclosure of the field." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996) (citation and quotation marks omitted).

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therapies.[3] Meaningful patent protection is required to justify that investment, especially in the face of frequent validity challenges in litigation arising under the Hatch-Waxman Act. *See Janssen Pharmaceutica, N.V. v. Apotex, Inc.*, 540 F.3d 1353, 1356 (Fed. Cir. 2008). Disparate claim construction standards undermine the predictability and strength provided by patent protection.

The Federal Circuit's decision also propagates the inefficiencies that Congress intended to eliminate when it enacted the AIA. By all accounts, IPR was created to "streamline the current 'inter partes [reexamination]' system so that it will be a more efficient alternative to litigation." 157 CONG. REC. S1348-02 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy); *see* H.R. REP. NO. 112-98, pt. 1, at 48 (2011) (noting intent to institute "early-stage process for challenging patent validity"). Yet an IPR can serve as an *alternative* to litigation only if the district court and the PTAB consider the question of validity for the same claims in a consistent manner.

To the extent the BRI standard enlarges the scope of patent claims beyond the construction compelled under *Phillips*, the tribunals confront the same patent claims in name only. These distinct claim construction approaches create an unfair system where patent claims are considered in a narrower manner for infringement purposes in district court and a broader manner for IPR validity

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[3] PhRMA, 2015 Profile, Biopharmaceutical Research Industry, Key Facts (inside cover) (Apr. 2015), http://www.phrma.org/sites/default/files/pdf/2015_phrma_profile.pdf.

challenges; such a system skews results against patent holders and leads to inconsistent determinations. And the decision below undercuts Congress's intent to have validity adjudicated *either* in district court *or* in the PTAB to avoid duplicative adjudication.[4]

2. These concerns are far from academic. The PTAB's application of the BRI standard has seen 79% of IPR petitions granted,[5] with 87% of final written decisions finding at least some claims unpatentable.[6] By contrast, invalidity challenges litigated in federal court prevail only 42% of the time. *See* John R. Allison et al., *Understanding the Realities of Modern Patent Litigation*, 92 TEX. L. REV. 1769, 1787 (2014). That significant discrepancy belies any suggestion

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[4] *See generally* PhRMA, Comments on Trial Proceedings Under the America Invents Act 5-7 (Oct. 16, 2014), http://www.uspto.gov/sites/default/files/ip/boards/bpai/phrma_20141016.pdf; THE COALITION FOR 21ST CENTURY PATENT REFORM, ENSURE THAT USPTO POST-GRANT PROCEEDINGS ARE FAIR TO ALL PARTIES app. 2, at 9-12 (2015), http://www.patentsmatter.com/issue/pdfs/20150316_AgendaforPatentReforminthe114thCongress.pdf; THE COALITION FOR 21ST CENTURY PATENT REFORM, WHY THE PTO'S USE OF THE BROADEST REASONABLE INTERPRETATION OF PATENT CLAIMS IN POST-GRANT AND INTER PARTES REVIEWS IS INAPPROPRIATE UNDER THE AMERICA INVENTS ACT (2013), http://www.patentsmatter.com/issue/pdfs/ThePTOsUseOfBRIIsInappropriate6-19-2013.pdf.

[5] Docket Navigator, IPR Institution Decisions (May 2015), http://home.docketnavigator.com/wp-content/uploads/2015/05/stays-and-institution-rates.pdf.

[6] USPTO, Patent Trial and Appeal Board Statistics 9 (Sept. 30, 2015), http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf.

that IPR invalidity determinations are a surrogate for those made in district court.

As a recent IPR petition demonstrates, moreover, the application of different claim construction standards works against Congress's goal of streamlining invalidity proceedings. *See* J. Steven Baughman et al., *Coordinating PTAB and District Court Litigation*, PRAC. L.J., Dec. 2014/Jan. 2015, at 34, 36 (reporting that 80% of patents subject to an IPR are also involved in district court litigation). For years, Allergan had been defending against challenges in court under the Hatch-Waxman Act that four Orange-Book listed patents covering its combination eye-drop product used for treating glaucoma are invalid for obviousness. After construing the asserted claims using the principles outlined in *Phillips*, a district court concluded that there was insufficient proof that a claim of U.S. Patent No. 7,030,149 would have been obvious to someone of ordinary skill in the art. The Federal Circuit affirmed, and this Court denied review. *See Allergan, Inc. v. Sandoz, Inc.*, 726 F.3d 1286, 1293-1294 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 1764 (2014).

Following the conclusion of the federal court litigation, however, "a recently-formed, self-described privately-held investment venture" filed an IPR petition raising the *same* invalidity issue. *The Impact of Abuse Patent Litigation Practices on the American Economy: Hearing Before the S. Comm. on the Judiciary*, 114th Cong. 18-19 (2015) (statement of Hans Sauer, Ph.D, General Counsel for Intellectual

Property, Biotechnology Industry Association)[7]; *see also* Complaint, *Allergan, Inc. v. Ferrum Ferro Capital, LLC*, No. 8:15-cv-992 (C.D. Cal. June 19, 2015) (alleging that subsequent IPR filing was extortion attempt by shell company). Citing the Federal Circuit's decision in this case and the PTO's regulation, the IPR petition candidly argued that the application of the BRI standard compelled the invalidation of the same patent claim on the same obviousness grounds. *See* Petition for Inter Partes Review of U.S. Patent No. 7,030,149, at 7, 15-16, *Ferrum Ferro Capital, LLC v. Allergan Sales, LLC*, No. IPR2015-00858 (P.T.A.B. filed Mar. 9, 2015).[8]

Despite ultimately declining to institute IPR proceedings under either claim construction standard, the PTAB readily accepted that "[f]or *inter partes* review, claim terms in an unexpired patent are given their broadest reasonable interpretation in light of the patent specification." *Ferrum Ferro Capital, LLC v. Allergan Sales, LLC*, No. IPR2015-00858, 2015 WL 5608290, at *3, *5-*7 (P.T.A.B. Sept. 21, 2015) (citing 37 C.F.R. § 42.100(b); *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1275-1278 (Fed. Cir. 2005)). Thus, if the petitioner had prevailed, the Federal Circuit would have faced the prospect of declaring Allergan's patent claim obvious, even though it had rejected that argument already.

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[7] *Available at* http://www.judiciary.senate.gov/imo/media/doc/03-18-15 Sauer Testimony.pdf.

[8] *Available at* http://fishpostgrant.com/wp-content/uploads/IPR2015-00858-petition.pdf.

Permitting a single patent claim to have different constructions and to be valid or invalid depending on the forum—IPR or district court—in which the claim is adjudicated contravenes the uniformity, certainty, and efficiency that the creation of the Federal Circuit was meant to foster. *See Markman*, 517 U.S. at 390. As this Court recently noted in the context of the preclusive effect of proceedings before the Trademark Trial and Appeal Board, the "idea is straightforward" that "[o]nce a court has decided an issue, it is 'forever settled as between the parties, thereby protect[ing] against the expense and vexation attending multiple lawsuits, conserv[ing] judicial resources, and foster[ing] reliance on judicial action by minimizing the possibility of inconsistent verdicts." *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1302 (2015) (alterations except first in original) (citations and internal quotation marks omitted). The decision below stands at odds with those values.

II. THE FEDERAL CIRCUIT'S DECISION IS WRONG ON THE MERITS

PhRMA agrees with Petitioner's arguments that the decision below is incorrect on the merits because, *inter alia*, (i) IPR proceedings do not offer a meaningful opportunity to amend claims, and (ii) the PTO exceeded its rulemaking authority in promulgating the BRI regulation. Pet. 23-28. PhRMA does not repeat those arguments here, but a few related points bear emphasis.

As the dissenting panel and en banc opinions explain (Pet. App. 37a-40a, 55a-58a, 65a), the BRI

standard has *never* been applied to decide questions of invalidity in adjudicatory proceedings without the right to amend claims freely. *See In re Yamamoto*, 740 F.2d 1569, 1571-1572 (Fed. Cir. 1984). Because IPRs are also adjudicatory proceedings similar to a district court, and allow amendment of claims only in narrow circumstances satisfied in just a handful of instances to date,[9] they bear little resemblance to prior forms of examination and reissuance proceedings from which the BRI standard derives. Decoupling the BRI standard from an opportunity to amend claims freely, as the decision below did here, "impair[s]" a patentee's interests because it is "foreclosed from obtaining appropriate coverage for the[] invention with express claim language." *Id.* at 1571.

The decision below also misreads the AIA when it finds "no indication" that Congress adopted established claim construction principles from *Phillips*. Pet. App. 15a. Congress intended IPR proceedings to serve as an "efficient alternative to litigation." 157 CONG. REC. S1348-02 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy). Yet the decision below "fails to explain why Congress (or anyone else) would have thought it desirable or necessary for the Board to construe the claims during IPRs under a different legal framework than the one used by

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[9] In more than two years of IPR proceedings, the PTAB has allowed patent owners to amend claims on just four occasions. *See* Edmund J. Walsh et al., *Preparing for Changes in AIA Post-Grant Amendment Practice* n.1 (July 17, 2015), http://www.wolfgreenfield.com/publications/articles/2015/preparing-for-changes-in-aia-post-grant-amendment-practice.

district courts." Pet. App. 54a-55a (joint dissent from denial of petition for rehearing *en banc*).

Congress created IPR by "convert[ing] inter partes reexamination from an examinational to an adjudicative proceeding" that "would take place in a court-like proceeding." H.R. REP. NO. 112-98, pt. 1, at 46, 68. That basic fact—*i.e.*, transforming a purely administrative proceeding into a more district-court-like one—leaves no room for the application of the BRI standard to the construction of issued patent claims in IPR proceedings.

Several AIA provisions confirm that conclusion. *See* Pet. App. 102a (Newman, J., dissenting). For example, 35 U.S.C. § 325(d) expressly provides that the PTO may take prosecution history into account when "determining whether to institute or order" IPR—a determination that requires the PTAB to arrive at an initial claim construction. Similarly, the AIA amends 35 U.S.C. § 301 to allow various new categories of information to be submitted to the PTO, including "statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent." *Id.* § 301(a)(2). Significantly, that information becomes part of the prosecution history and can be used only "to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section *** 314 [IPR], or 324 [post-grant review]." *Id.* § 301(d); *see* 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (explaining that Section 301(a)(2) written statements are "to be made a part of the official file of the patent"). The decision below

renders those provisions meaningless because, unlike claim construction under *Phillips*, the BRI standard eschews consideration of the prosecution history. *See Hibbs v. Winn*, 542 U.S. 88, 101 (2004) (canon against superfluity).

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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No. 15-446

IN THE
Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF SIGHTSOUND TECHNOLOGIES, LLC AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

INTEREST OF AMICUS CURIAE 1

INTRODUCTION AND SUMMARY OF ARGUMENT 3

ARGUMENT 6

I. QUESTION 2 HAS SUBSTANTIAL IMPORTANCE BEYOND THIS CASE 6

A. Background Of The SightSound Proceeding 7

B. The SightSound Case Provides Another Example Of The Board's Violation Of Its Authority 12

C. Patent Owners Will Be Prejudiced If The Board's *Ultra Vires* Acts Are Not Reviewed And Remedied 14

D. The Federal Circuit's Rationale In Support Of Its Interpretation Of 35 U.S.C. § 314 Is Wrong 16

II. THE PLAIN LANGUAGE OF 35 U.S.C. § 319 ALLOWS REVIEW OF THE BOARD'S ERRORS 19

A. Non-Moot Interlocutory Orders That Merge Into The Board's Final Written Decision Are Reviewable 19

1. 35 U.S.C. § 319 Provides For A Broad Right To Appeal 19

2. The Plain Language Of 35 U.S.C. § 314 Provides For Only One Exception To The Scope Of Appealable Issues 21

B. Cuozzo's And SightSound's Appeals Originate From Issues That Merged Into The Board's Final Written Decisions 23

III. A PRESUMPTION OF JUDICIAL REVIEW OF AGENCY ACTIONS MUST INFORM THE COURT'S INTERPRETATION OF SECTION 314(d) 25

IV THE BOARD'S ACTIONS ARE SEPARATELY REVIEWABLE UNDER THE *ULTRA VIRES* DOCTRINE. 28

CONCLUSION 30

TABLE OF AUTHORITIES

Page(s)

Cases

Abbott Labs. v. Cordis Corp.,
710 F.3d 1318 (Fed. Cir. 2013) 18

Abbott Labs. v. Gardner,
387 U.S. 136 (1967) 25, 26

Achates Reference Publ'g, Inc. v. Apple Inc.,
803 F.3d 652 (Fed. Cir. 2015) 4, 12, 24

Aid Ass'n for Lutherans v. U.S. Postal Serv.,
321 F.3d 1166 (D.C. Cir. 2003) 29

Anthony v. OPM,
58 F.3d 620 (Fed. Cir. 1995) 28

Benedict v. Super Bakery, Inc.,
665 F.3d 1263 (Fed. Cir. 2011) 18

Bowen v. Mich. Acad. of Family Physicians,
476 U.S. 667 (1986) 4, 25, 27

Bragdon v. Abbott,
524 U.S. 624 (1998) 21

Caperton v. A.T. Massey Coal Co.,
556 U.S. 868 (2009) 18

Cisco Sys., Inc. v. C-Cation Techs., LLC,
No. IPR2014-00454, 2014 WL 4352301
(P.T.A.B., Aug. 29, 2014) 9

TABLE OF AUTHORITIES—continued

Page(s)

Cohen v. Beneficial Indus. Loan Corp.,
337 U.S. 541 (1949) 6, 20

In re Cuozzo Speed Techs., LLC,
793 F.3d 1268 (Fed. Cir. 2015) 12, 16, 22, 24, 26

Digital Equip. Corp. v. Desktop Direct, Inc.,
511 U.S. 863 (1994) 20

Doty v. United States,
53 F.3d 1244 (Fed. Cir. 1995) 28

Dunlop v. Bachowski,
421 U.S. 560 (1975) 25, 26

Epicor Software Corp. v. Protegrity Corp.,
No. CBM2015-00006, 2015 WL 1870235
(P.T.A.B. Apr. 21, 2015)
..... *passim*

Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank,
527 U.S. 627 (1999) 18

In re Hiniker Co.,
150 F.3d 1362 (Fed. Cir. 1998) 22

Jays Foods, LLC v. Chem. & Allied Prod. Workers Union,
208 F.3d 610 (7th Cir. 2000) 20

KSR Int'l Co. v. Teleflex Inc.,
550 U.S. 398 (2007) 11, 14

TABLE OF AUTHORITIES—continued

Page(s)

Lake Cable, LLC v. Windy City Wire Cable & Tech. Prods., LLC,
No. IPR2013-00528, 2014 WL 721999
(P.T.A.B. Feb. 19, 2014) 13

Leedom v. Kyne,
358 U.S. 184 (1958) 28

Lindahl v. OPM,
470 U.S. 768 (1985) 4, 25, 26, 27

Lindahl v. OPM,
718 F.2d 391 (Fed. Cir. 1983) (en banc) 26

Mach Mining, LLC v. EEOC,
135 S. Ct. 1645 (2015) 25

Marbury v. Madison,
5 U.S. (1 Cranch) 137 (1803) 3

In re Meyer,
599 F.2d 1026 (C.C.P.A. 1979) 16

Nautique Boat Co. v. Malibu Boats, LLC,
No. IPR2014-01045, 2014 WL 6706559
(P.T.A.B. Nov. 26, 2014) 13

SightSound Techs., LLC v. Apple Inc.,
809 F.3d 1307 (Fed. Cir. 2015) ..... *passim*

Soc. Sec. Bd. v. Nierotko,
327 U.S. 358 (1946) 29

TABLE OF AUTHORITIES—continued

Page(s)

Versata Dev. Grp. v. SAP Am., Inc.,
793 F.3d 1306 (Fed. Cir. 2015) 4, 24

In re Westinghouse Sec. Litig.,
90 F.3d 696 (3d Cir. 1996) 20

Zadvydas v. Davis,
533 U.S. 678 (2001) 19

Statutes

5 U.S.C. § 706(2) 28

5 U.S.C. § 8347 27

28 U.S.C. § 1291 20

35 U.S.C. § 102 ..... 8, 16

35 U.S.C. § 103 ..... 8, 16

35 U.S.C. § 311 22

35 U.S.C. § 312(a)(3) ..... *passim*

35 U.S.C. § 313 22

35 U.S.C. § 314 ..... 16, 21, 22, 24, 27

35 U.S.C. § 314(a) 22, 23, 24

35 U.S.C. § 314(d) ..... *passim*

35 U.S.C. § 315(e)(1) 17

TABLE OF AUTHORITIES—continued

Page(s)

35 U.S.C. § 315(e)(2) 17

35 U.S.C. § 319 ..... 2, 6, 19, 20, 21, 27

35 U.S.C. § 322(a)(3) ..... *passim*

35 U.S.C. § 324 ..... 4, 22, 24

35 U.S.C. § 324(a) 23, 24

35 U.S.C. § 324(e) 2

35 U.S.C. § 325(e)(1) 17

35 U.S.C. § 325(e)(2) 17

35 U.S.C. § 329 ..... 2, 6, 22

Leahy-Smith America Invents Act,
Pub. L. No. 112-29, 125 Stat. 284 (2011) .... *passim*
§ 18(a)(1)(D) 18
§ 18(d) 2
§ 18(d)(1) 4

Other Authorities

37 C.F.R. § 42.6(a)(3) 9

37 C.F.R. § 42.104(b) 23

37 C.F.R. § 42.107 ..... 14, 18

37 C.F.R. § 42.108(a) 23

TABLE OF AUTHORITIES—continued

Page(s)

37 C.F.R. § 42.108(c) 23

37 C.F.R. § 42.120 ..... 14, 18

37 C.F.R. § 42.204(b) 23

37 C.F.R. § 42.207 ..... 14, 18

37 C.F.R. § 42.208(a) 9, 13, 23

37 C.F.R. § 42.208(c) 9, 13, 23

37 C.F.R. § 42.220 ..... 14, 18

Brief of Patent Owner-Appellant SightSound Technologies, LLC, *SightSound Techs., LLC v. Apple Inc.*, No. 2015-1159, 2015 WL 310736 (Fed. Cir. Jan. 13, 2015) ..... *passim*

Complaint, *SightSound Techs., LLC v. Apple Inc.*, No. 2:11-cv-1292-DWA (W.D. Pa. Oct. 10, 2011) 8

PTO's Petition For Rehearing *En Banc*, *Versata Dev. Grp., Inc. v. SAP Am.*, No. 2014-1194 (Fed. Cir. Aug. 24, 2015), ECF No. 141 ..... 12, 17

INTEREST OF AMICUS CURIAE[1]

SightSound Technologies, LLC ("SightSound") submits this brief in support of Petitioner Cuozzo Speed Technologies, LLC ("Cuozzo") as to the second question presented ("Question 2")[2] and to address the importance of Question 2 beyond the present case.

SightSound developed and patented truly revolutionary technology relating to the electronic transmission and storage of digital audio and video signals. Shortly after the first of its patents issued in 1993, SightSound became the first company in the world to offer music and films via digital download over the internet. The technology SightSound developed is now ubiquitous.

Because it seeks to enforce its patents, SightSound is interested in the proper interpretation and application of standards governing adversarial patent review proceedings under the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011). SightSound is also the appellant in an appeal now before the Court of Appeals for the Federal Circuit that raises an essentially identical question to the one at bar concerning the

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[1] The petitioner's blanket consent is on file with the Clerk of the Court. At the request of *amicus curiae*, the respondent consented to the filing of this *amicus curiae* brief, and the respondent's written consent is on file with the Clerk of the Court. Pursuant to Rule 37.6, *amicus curiae* states that none of the parties authored this brief in whole or in part, and no one other than *amicus curiae* and its counsel made a monetary contribution to the preparation or submission of this brief.

[2] Question 2 is "[w]hether the court of appeals erred in holding that, even if the Board exceeds its statutory authority in instituting an IPR proceeding, the Board's decision whether to review an IPR proceeding is judicially unreviewable."

reviewability of *ultra vires* decisions of the Patent Trial and Appeal Board ("Board").

In 2011, SightSound sued Apple Inc. ("Apple") for patent infringement. In 2013, Apple sought AIA transitional covered business method patent review ("CBMPR")—an analogous proceeding to the AIA's *inter partes* review ("IPR") regime at issue in this case—of the asserted claims.[3] In violation of the AIA statutory regime and the Board's own regulations, the Board *sua sponte* reviewed SightSound's patents on a ground never asserted by Apple, and the Board did so without explaining the specific nature of the invalidity review. Every ground asserted by Apple was ultimately rejected by the Board, yet the Board nonetheless invalidated SightSound's patent claims based on the largely unarticulated bases proffered by the Board itself. Indeed, SightSound learned the specific bases of the challenge against its patents only in the Board's final written decision. These Board actions were unambiguously violative of the

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[3] The AIA created three new patent review proceedings with many provisions in common, including those at issue in this case. *See, e.g.*, 35 U.S.C. §§ 312(a)(3) and 322(a)(3) (setting forth petition requirements for IPR, post grant review ("PGR"), and CBMPR proceedings); 35 U.S.C. §§ 319 and 329 (authorizing appeals from final written decisions in IPR, PGR, and CBMPR proceedings); 35 U.S.C. §§ 314(d) and 324(e) (providing that a determination whether to institute IPR, PGR, or CBMPR "under this section" shall be "final and nonappealable"). Due to the various eligibility requirements, the majority of proceedings to date have been IPRs. Congress also provided for PGR (available for patents having priority filing dates after March 15, 2013 and within the first nine months of issuance) and CBMPR (available for a transitional statutory period but only for "covered business method patents" as defined in Section 18(d) of the AIA).

statutory and regulatory rules governing CBMPR proceedings.

On appeal, the Federal Circuit believed (incorrectly) that the AIA precluded review of the Board's actions, holding that it could not correct the Board's violations because Apple—or another hypothetical party—*could have* asserted the invalidity ground that the Board raised *sua sponte*. *SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307, 1313-14 (Fed. Cir. 2015). In so holding, the Federal Circuit primarily relied upon the decision challenged by Cuozzo in the present case. Compounding this error, the Federal Circuit's highly deferential standard of review further insulated the Board's substantive conclusions, which—of course—would not have been reached but for the Board's *ultra vires* acts.

SightSound's own experience before the Board demonstrates the necessity for judicial review of Board decisions. SightSound thus submits this brief in support of Cuozzo's position on Question 2 and to urge the Court to rule that the Federal Circuit should review—and may reverse—the Board when it exceeds its statutory authority.

INTRODUCTION AND SUMMARY OF ARGUMENT

The Federal Circuit erred below in holding that, even if the Board exceeds its statutory authority in instituting an IPR proceeding, the Board's decision is judicially unreviewable. Indeed, the Federal Circuit failed to consider and apply the longstanding precedent of this Court.

This Court has recognized a duty to review agency action for over two centuries. *See, e.g.*,

Marbury v. Madison, 5 U.S. (1 Cranch) 137, 163 (1803). It is presumed that agency action is judicially reviewable. *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670-71 (1986). Even where Congress makes some matters non-reviewable, courts retain the authority to review whether an agency has acted in excess of its delegated powers. *See Lindahl v. OPM*, 470 U.S. 768, 779 (1985). In short, the presumption of reviewability and the doctrine of *ultra vires* review demand robust judicial oversight of agency action when the scope of judicial review is in doubt.

The Federal Circuit's error below on the question of reviewability has been compounded in decisions subsequent thereto. The day after issuing its revised opinion in *Cuozzo*, the Federal Circuit held that, with one exception, a decision to institute a CBMPR under 35 U.S.C. § 324 is non-reviewable. *Versata Dev. Grp. v. SAP Am., Inc.*, 793 F.3d 1306, 1314-15 (Fed. Cir. 2015).[4] And, in *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015), the Federal Circuit held that it was powerless to review whether the Board had erred in disregarding time limits imposed by the AIA on a party's ability to seek IPR. *Id.* at 657-58.

The Federal Circuit next heard SightSound's appeal and refused to consider whether the Board exceeded its statutory authority in raising a new, unarticulated theory upon which to review the

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[4] Over the dissent of Judge Hughes, the court held that whether a challenged patent is a "covered business method patent" under AIA Section 18(d)(1) is reviewable. *Versata*, 793 F.3d at 1322-23; *cf. id.* at 1341 (Hughes, J., dissenting in part) (asserting that the majority's holding "directly conflicts with" *Cuozzo*).

patents—a theory that ultimately invalidated SightSound's claims despite the fact that the purported bases for invalidity (which, by statute, must be disclosed in the petition) were never identified prior to the Board's final written decision. *SightSound*, 809 F.3d at 1313-14. The SightSound case is thus another example of the prejudice suffered by patent owners when the Federal Circuit abnegates its oversight function and the Board's violation of its authority remains unchecked.

Part I of this brief provides a discussion of SightSound's experience defending its patent rights in its CBMPR proceeding before the Board and appealing the Board's *ultra vires* actions to the Federal Circuit. In SightSound's case (as in *Cuozzo*), rather than act as a neutral arbiter of the parties' arguments, the Board injected itself into the adversarial proceeding on behalf of the petitioner by positing—and advocating for—its own ground of unpatentability. The Board's error demonstrates the real injury that results when the Board ignores its statutory mandate; Cuozzo and SightSound are among the first of many patent owners that will be irreparably prejudiced by the Board's *ultra vires* actions if the Board is permitted to act without judicial oversight.

Part II discusses why the plain language of the AIA requires review of non-final orders merged into a final written decision—an issue not previously considered in this case. It specifically addresses why the narrow exception under 35 U.S.C. § 314(d) for threshold merits determinations is inapplicable. In particular, SightSound explains that the plain statutory language of the relevant provision permits Cuozzo to seek judicial review of the Board's failures

to follow the statutes and regulations governing IPR proceedings. In 35 U.S.C. § 319—and its materially identical cousin 35 U.S.C. § 329—Congress provided that a party dissatisfied with a "final written decision" of the Board may appeal it. Section 319 does not limit which aspects of the final written decision may be appealed. In allowing plenary review, Congress invoked a decades-old rule allowing appeals of all non-moot interlocutory orders merged into a final judgment. *See Cohen v. Beneficial Indus. Loan Corp.*, 337 U.S. 541, 545-46 (1949).

Part III discusses the merits of Cuozzo's interpretation of Section 314(d) in light of this Court's tradition of applying a "strong presumption" of judicial review to narrowly construe limitations on the judiciary's ability to review agency action.

Part IV discusses the *ultra vires* doctrine, which, even in the face of a "no appeal" provisions, furnishes an independent basis to review administrative determinations wrought with procedural defects.

ARGUMENT

I. QUESTION 2 HAS SUBSTANTIAL IMPORTANCE BEYOND THIS CASE

Although not before the Court, SightSound's case underscores Cuozzo's warning that the Board's institution decision is often the most critical stage of AIA proceedings. The statistics are telling: when review is instituted, the subject patent claims are typically invalidated. Cuozzo Merits Brief at 46. Without judicial oversight to address statutory violations during the review process, any *ultra vires* actions of the Board—particularly at the institution phase—plainly threaten the due process rights of patent owners.

A. Background Of The SightSound Proceeding

1. In 1988, inventor and co-founder of SightSound Arthur Hair developed a system for transmitting digital audio and video signals via telecommunications lines directly to consumers' computers. Opening Brief of Patent Owner-Appellant SightSound Technologies, LLC at *7, *SightSound Techs., LLC v. Apple Inc.*, No. 2015-1159, 2015 WL 310736 (Fed. Cir. Jan. 13, 2015) [hereinafter "Op. Br."]. The core of Mr. Hair's invention was a particular hardware combination that included a "second memory"—a single piece of non-removable hardware owned by the user that could store thousands of downloaded songs or other content. *Id.* at *7-8. This represented a substantial improvement over the records, cassette tapes, CDs, and other similar media that dominated the market at the time, shattering the existing market paradigm. *Id.* at *10. Today, the distribution of digital content over telecommunications lines (*e.g.*, the internet) is ubiquitous. In 1988, it was revolutionary. *Id.* at *7-8.

In 1988, Mr. Hair filed a patent application for this invention, which later issued as U.S. Patent No. 5,191,573 on March 2, 1993. The PTO subsequently issued two other patents in this family, U.S. Patent Nos. 5,675,734 on October 7, 1997, and 5,966,440 on October 12, 1999. *Id.* at *8.

2. In 1995, Mr. Hair teamed up with Scott Sander to commercialize his invention under the SightSound name. Together, they built a network of distributed servers, telecommunications links, and a consumer-facing website with the domain name SightSound.com to sell music and videos online. That year, SightSound became the first company to

provide an interface for purchasing music via digital download over the internet. It achieved another first in 1999 when it offered the first online sale of a film. *Id.* at *11.

3. SightSound has been enforcing its patent rights against potential infringers since the late 1990s. During this period, its patents have withstood over a decade of invalidity challenges, both in court and before the PTO. *Id.* at *13-14. Most recently, and relevant to SightSound's interest in this case, SightSound sued Apple for patent infringement on October 10, 2011 after Apple refused to take a license as its competitors had done. Complaint, *SightSound Techs., LLC v. Apple Inc.*, No. 2:11-cv-1292-DWA (W.D. Pa. Oct. 10, 2011). In the nineteen months that followed, the parties devoted significant resources to claim construction and discovery. After suffering multiple setbacks in the district court, Apple scrambled to rebuild its defenses and sought refuge in the AIA's new review proceedings. Apple filed four petitions for CBMPR on May 6, 2013.

a. The Board instituted review on October 8, 2013. In doing so, it rejected all grounds asserted by Apple in its petitions save one: anticipation under 35 U.S.C. § 102 by a so-called "CompuSonics system." Op. Br. at *20.

However, departing from Apple's asserted grounds, the Board posited its own invalidity theory: obviousness under 35 U.S.C. § 103 in light of twelve disparate references relating to CompuSonics, which the Board called the "CompuSonics publications."[5]

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[5] Apple's expert made a conclusory, catch-all claim that the SightSound patents were obvious based on unspecified combi-

Yet, the Board failed to specify which combination of the twelve references allegedly rendered the SightSound patents obvious. Op. Br. at *20-21. While noting that this ground was "in addition to [Apple's] asserted ground of anticipation based on the CompuSonics system," the Board claimed "discretion" to posit, initiate, and conduct this review *sua sponte*—a discretion that the Board has explicitly claimed not to have in other proceedings. *Id.* at *21; *see Epicor Software Corp. v. Protegrity Corp.*, No. CBM2015-00006, 2015 WL 1870235, at *22 (P.T.A.B. Apr. 21, 2015) (The "approach of offering a plurality of prior art references for consideration, with the particular and necessary combination to be selected or chosen by the Board is improper.").

b. On January 3, 2014, SightSound submitted its responses. As to the anticipation ground asserted by Apple—the one such ground taken up by the Board—SightSound proffered the testimony of CompuSonics's lead engineer to show that no single "CompuSonics system" had ever existed, and that CompuSonics had never created a system for

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nations of art. *See* Op. Br. at *38 n.10. Such a statement is insufficient to put SightSound on notice of any specific combination of references or a reason for their combination. Moreover, it is of no import because it was not in Apple's petitions. *See* 37 C.F.R. § 42.208(a), (c) (the Board may only conduct review on "grounds of unpatentability asserted for each claim," and "shall not" institute review on grounds unsupported by a petition); 37 C.F.R. § 42.6(a)(3) ("Arguments must not be incorporated by reference from one document into another document."); *Cisco Sys., Inc. v. C-Cation Techs., LLC*, No. IPR2014-00454, 2014 WL 4352301 (P.T.A.B., Aug. 29, 2014) (denying petition for review due to attempt to incorporate expert declaration by reference).

transmitting digital audio and video signals to consumers. Op. Br. at *22. SightSound then noted that the Board lacked jurisdiction to *sua sponte* conduct an obviousness review on a ground never asserted by Apple. *Id.* The Board's *ultra vires* act injected an entirely new theory into the proceedings, requiring SightSound to address unstated combinations of twelve prior art references as well as arguments of which it had no notice. Nonetheless, SightSound blindly tried to respond to the obviousness challenge. *Id.*

On March 21, 2014, almost a year after submitting its petitions for review, Apple submitted replies that, for the first time, offered obviousness arguments relating to CompuSonics. Apple nevertheless failed to identify any particular combination of references that allegedly rendered the SightSound patents obvious, nor a reason to combine references in a particular manner. *Id.* at *23.

c. Oral argument was held on May 6, 2014. Two weeks later, the Board issued an order noting SightSound's position "that it did not have a fair opportunity to respond to the obviousness ground because Petitioner did not assert the ground in its petitions and argued the issue for the first time in its replies, to which Patent Owner was not able to respond." *Id.* at *24. The Board did not dispute that this was the case. Instead, the Board ordered that in light of "the particular factual circumstances of these cases," SightSound could submit sur-replies to address Apple's newly-raised assertions. *Id.* SightSound did so, arguing that Apple had still "proposed no combination of references that collectively teaches the claimed invention" nor given any "reason why a person of ordinary skill would

combine disclosures for disparate systems (and 'futurama' speculation) to obtain the claimed invention." *Id.*

d. On October 7, 2014, the Board issued final written decisions. On anticipation, the Board agreed with SightSound, holding that the notion of a single "CompuSonics system" capable of practicing the patented invention was a fiction. *Id.* at *25. With this finding, the Board had determined that ***none*** of the eight grounds stated in Apple's four petitions invalidated SightSound's patents.

The Board then turned to obviousness—the ground it raised *sua sponte*. On SightSound's jurisdictional objections, the Board did not dispute that Apple's petitions never asserted obviousness over CompuSonics. Instead the Board claimed that the petitions "supported a ground of obviousness based on the CompuSonics publications." *Id.* The Board found all claims obvious by patching together certain combinations of references that were never asserted in Apple's petitions. The Board then supplied its own reason to combine these references (pursuant to this Court's decision in *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 417-18 (2007)). Op. Br. at *25-26. Thus, it was only in the Board's final written decision that SightSound had notice of the ostensibly invalidating combinations of references and the rationale for combining them, arguments never made by Apple.

SightSound timely appealed to the Court of Appeals for the Federal Circuit.

4. The Federal Circuit issued its opinion on December 15, 2015. *SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307 (Fed. Cir. 2015). The

panel never reached the merits of SightSound's argument that the Board's *sua sponte* obviousness review was *ultra vires*. Rather, it held, pursuant to *Cuozzo* and *Achates*, that it "lack[ed] jurisdiction to review the PTO's decision to consider issues not explicitly raised in the petitions." *Id.* at 1311. Despite the PTO's own insistence elsewhere that "nothing in the statute suggests that the PTO is authorized to proceed with a review where a party might have fulfilled the various statutory criteria for initiating a proceeding, but for some reason did not," the panel refused to correct the PTAB's failure to follow the law because Apple theoretically could have submitted a petition that asserted obviousness over CompuSonics—regardless of the fact that it never did. PTO's Petition For Rehearing *En Banc* at 13 n. 7, *Versata Dev. Grp., Inc. v. SAP Am.*, No. 2014-1194 (Fed. Cir. Aug. 24, 2015), ECF No. 141; *see SightSound*, 809 F.3d at 1313-14. Exacerbating this mistake, the Court then applied a "substantial evidence" standard of review to find no error in the obvious determinations that the Board unveiled for the first time in its final decision. *SightSound*, 809 F.3d at 1318-20.

On January 14, 2016, SightSound petitioned the Federal Circuit for rehearing *en banc*. The next day, this Court granted *certiorari* in the present case and, as a result, SightSound has since requested that the Federal Circuit hold its petition for rehearing pending this Court's decision.

B. The SightSound Case Provides Another Example Of The Board's Violation Of Its Authority

There can be no real dispute that the Board acted against its authority in *SightSound* (and in

Cuozzo) when it proffered a new invalidity ground *sua sponte*, as both the AIA statutory scheme and the PTO's own regulations make clear that the Board does not have the authority to institute review on grounds never asserted by the petitioner at the initial petition stage.

In line with the adversarial and accelerated nature of the proceedings, the petitioner is required to state at the outset of a request for AIA review, "in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." 35 U.S.C. § 322(a)(3).[6] The Board cannot go beyond those grounds when instituting review. *See, e.g.*, 37 C.F.R. § 42.208(a) (only authorizing the Board to conduct a review "on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim"); 37 C.F.R. § 42.208(c) (review "shall not be instituted for a ground of unpatentability, unless the Board decides that the petition supporting the ground would, if

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[6] Where a petition raises an obviousness challenge, the Board has repeatedly made clear that the petitioner must further "identify and articulate clearly each prior art combination relied on" and must explain its rationale for combining the references. *Epicor Software*, 2015 WL 1870235, at *22; *see, e.g.*, *Nautique Boat Co. v. Malibu Boats, LLC*, No. IPR2014-01045, 2014 WL 6706559, at *8 (P.T.A.B. Nov. 26, 2014) (denying institution where the petitioner's "presentation of reasoning to combine the teachings of [the prior art references] [was] deficient"); *Lake Cable, LLC v. Windy City Wire Cable & Tech. Prods., LLC*, No. IPR2013-00528, 2014 WL 721999, at *11 (P.T.A.B. Feb. 19, 2014) (denying institution where the petitioner's "obviousness analysis [was] not supported by adequate reasoning with rational underpinning").

unrebutted, demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable").

But for the Board's *ultra vires* acts, SightSound's patents would have survived AIA review. By the time the Board entered its final written decisions, every single ground asserted by Apple in its petitions had failed.

C. Patent Owners Will Be Prejudiced If The Board's *Ultra Vires* Acts Are Not Reviewed And Remedied

Analogous to the violations in the instant case, the Board violated SightSound's due process rights in waiving the petition requirements for the obviousness ground and *sua sponte* positing its own invalidity ground in its institution decision—*i.e.*, a ground that was not fleshed out until the final written decision.

The initial petition requirements ensure that patent owners have adequate notice of the invalidity challenges against them. *See* 35 U.S.C. §§ 312(a)(3) and 322(a)(3). And patent owners have only a limited opportunity and time to respond to the allegations in a petition. *See* 37 C.F.R. §§ 42.107 and 42.207 (preliminary response); *id.* §§ 42.120 and 42.220 (response). By raising a new obviousness ground at the institution stage that was never articulated at that time, the Board deprived SightSound of its right to timely notice and hampered its ability to defend against such claims.

This Court's precedent is clear that patent claims are not invalid as obvious merely because the claims' elements exist in the prior art. *KSR*, 550 U.S. at 418-19. In line with this authority, the Board itself

has repeatedly ruled that cursory obviousness arguments are insufficient to initiate AIA review and instead, when based upon multiple prior art references, the petitioner must identify (i) the specific combination of references and (ii) a rationale for combining such references as in the patent claims at issue. For example, the Board has explained that it would be improper for a petitioner to merely describe the contents of numerous prior art references in relation to the patent claims and then rely on the Board to cobble together a specific invalidity theory that best fits the evidence. *See Epicor Software*, 2015 WL 1870235, at *22. The Board emphasized the need to comply with the AIA's strict petition requirements, for "[n]either Patent Owner nor the Board should have to speculate in any respect" the specific invalidity grounds asserted. *Id.* As the *Epicor* case makes clear, the statutory framework governing AIA review simply does not contemplate *sua sponte* institution on a ground absent from the petition and without specificity as to the exact nature of the obviousness challenge. Yet, that is exactly what the Board did in *SightSound*.

Although the Board identified twelve "CompuSonics publications" potentially relevant to the Board's new obviousness ground upon institution, at no point before the final written decisions did it articulate how and why those references might be combined (as Apple would have been required to do had it raised such a ground in its petitions) to render SightSound's patents obvious. *See* 35 U.S.C. §§ 312(a)(3) and 322(a)(3); *Epicor Software*, 2015 WL 1870235, at *22 ("Petitioner must identify and articulate clearly each prior art combination relied on to support an assertion of unpatentability based on obviousness There

can be no avoidance of articulating the precise combination relied on to render a claim obvious."). Indeed, had Apple submitted twelve prior art references without identifying a combination of or a reason to combine the references—as the Board did *sua sponte* in its institution decision—Apple's petition would have been rejected out of hand.

Because these transgressions resulted in the invalidation of SightSound's patent rights, the prejudice to SightSound was manifest. *See In re Meyer*, 599 F.2d 1026, 1031 (C.C.P.A. 1979) (the predecessor to the Federal Circuit holding, in an appeal from another administrative patent proceeding, that the Board does not have a "license to shift the statutory basis of rejection from § 103 [obviousness] to § 102 [anticipation] while denying appellant the procedural due process" provided by the governing regulations).

D. The Federal Circuit's Rationale In Support Of Its Interpretation Of 35 U.S.C. § 314 Is Wrong

The Federal Circuit's purported rationalization of the Board's *ultra vires* actions, and its own failure to review them, is fundamentally flawed. According to the Federal Circuit, the "defective [petition] is irrelevant" because, in *Cuozzo* and *SightSound*, "a proper petition could have been drafted." *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1277 (Fed. Cir. 2015); *see SightSound*, 809 F.3d at 1313-14. However, the PTO's jurisdiction is restricted to petitions that "identif[y], in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." 35 U.S.C. §§ 312(a)(3) and 322(a)(3).

Any proceeding that is initiated on a petition that "could have been drafted" is itself an extra-jurisdictional act subject to appellate review; it cannot justify the Federal Circuit's avoidance of its review function. Indeed, even the PTO believes that the Federal Circuit's rationalization is untenable: "[N]othing in the statute suggests that the PTO is authorized to proceed with a review where a party might have fulfilled the various statutory criteria for initiating a proceeding, but for some reason did not." PTO's Petition For Rehearing *En Banc* at 13 n.7, *Versata*, No. 2014-1194, ECF No. 141.

Moreover, 35 U.S.C. §§ 315(e)(1)-(2) and 325(e)(1)-(2) provide that a petitioner is estopped from asserting any ground of unpatentability that the "petitioner raised or reasonably *could have raised*" during the proceeding. 35 U.S.C. §§ 315(e)(1)-(2) and 325(e)(1)-(2) (emphasis added). Therefore, Congress granted the Board authority over only grounds of unpatentability identified "with particularity" in a petition despite explicitly contemplating the concept of grounds that could have been raised in a petition in the AIA's estoppel provisions. 35 U.S.C. §§ 312(a)(3) and 322(a)(3). If Congress had wanted to provide for an expansive institution regime exempt from judicial oversight, its estoppel provisions demonstrate that it could have done so. The Federal Circuit's "could have drafted" rationalization is untenable, particularly when viewed against this backdrop.[7]

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[7] The estoppel provision for CBMPR further demonstrates the impropriety of the Board's *sua sponte* grounds of unpatentability and the Federal Circuit's "could-have-raised" rationalization. Congress precludes second petitions for CBMPR on

Further, as explained above, there are serious due process concerns with a standard based on "what could have been done" in the petition. Due process principles "guide and limit the acts and proceedings of agency tribunals," including the Board. *Benedict v. Super Bakery, Inc.*, 665 F.3d 1263, 1268 (Fed. Cir. 2011). Because a patent grant has been universally accepted as a vested property right that confers due process protection, *Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 642 (1999), patent owners are entitled to "notice and an opportunity to be heard by a disinterested decision-maker" before their patents can be invalidated. *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1328 (Fed. Cir. 2013); *see Caperton v. A.T. Massey Coal Co.*, 556 U.S. 868, 876-81 (2009).

The statutes and regulations governing AIA review proceedings protect the due process rights of patent owners; those rights are only safeguarded, however, when the statutes and regulations are followed. *See, e.g.*, 35 U.S.C. §§ 312(a)(3) and 322(a)(3) (setting forth the petition requirements); 37 C.F.R. §§ 42.107, 42.207, 42.120, and 42.220 (providing for the patent owner's preliminary and formal responses). In *SightSound*, the Board disregarded the petition requirements, *sua sponte* introduced a new invalidity ground, and withheld the specific combination of prior art references

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grou..ds that *could have been raised* in an earlier petition, while precluding litigation only on those grounds *actually raised* in a petition. AIA § 18(a)(1)(D). Review unmoored from the grounds actually asserted destroys this balance. If the Board had found the SightSound patents nonobvious, Apple could later attempt to relitigate the issue because the Board, rather than Apple, first raised it—thereby frustrating the statutory purpose.

supporting that ground until its final decision. The possibility that a theoretically sufficient petition *could have been drafted* is irrelevant and cannot negate the prejudice to a patent owner of learning the specifics of an invalidity challenge for the first time in a final adverse decision.[8]

II. THE PLAIN LANGUAGE OF 35 U.S.C. § 319 ALLOWS REVIEW OF THE BOARD'S ERRORS

SightSound agrees with Cuozzo that appeals to the Federal Circuit from a final decision in an AIA proceeding should follow the rule in district court patent litigation, wherein a party must wait to appeal until entry of final judgment, but it may raise claims of error from earlier stages of litigation. *Cuozzo* Merits Brief at 49. In addition to Cuozzo's argument, this Court's merger rule provides the basis for this broad scope of appeal.

A. Non-Moot Interlocutory Orders That Merge Into The Board's Final Written Decision Are Reviewable

1. 35 U.S.C. § 319 Provides For A Broad Right To Appeal

Section 319 provides that a party dissatisfied with the Board's "final written decision may

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[8] Further, a finding that does not exempt review of due process violations from Section 314(d) would raise questions about constitutional infirmity. Under the doctrine of avoidance, statutory provisions must be read to avoid potential due process concerns. *See Zadvydas v. Davis*, 533 U.S. 678, 699-701 (2001) (construing a statutory provision governing an administrative immigration proceeding so as to avoid the "serious constitutional threat" of a due process violation). The same should apply to a construction that would deprive a party of the right to appeal a due process violation.

appeal the decision." 35 U.S.C. § 319. Decades ago, this Court construed similar language in 28 U.S.C. § 1291—allowing appeals from "final decisions of the district courts of the United States"—to permit review of any non-moot interlocutory order "merged" into a final decision. *Cohen*, 337 U.S. at 545-46. Congress's grant to the Federal Circuit of jurisdiction to hear appeals from "final written decisions" of the Board in Section 319 incorporates the "merger rule" and authorizes parties to appeal all non-moot issues raised in the course of a proceeding in a single appeal.

In *Cohen*, a district court order declined to apply a law requiring a security bond. *Id.* at 544-45. On appeal from the district court's decision, this Court recognized that Section 1291's "final decision" requirement merely limits interlocutory appeals "where they are but steps towards final judgment in which they will merge." *Id.* at 546. "The purpose is to combine in one review all stages of the proceeding that effectively may be reviewed and corrected if and when final judgment results." *Id.* Rather than limit reviewable issues, the "final decision" requirement disallows appeals "from any decision which is tentative, informal or incomplete." *Id.* at 545-46. This gave rise to the "merger rule," which allows appeals of non-moot interlocutory orders that "affect the final judgment." *In re Westinghouse Sec. Litig.*, 90 F.3d 696, 706 (3d Cir. 1996); *see Digital Equip. Corp. v. Desktop Direct, Inc.*, 511 U.S. 863, 868 (1994) ("[A] party is entitled to a single appeal, to be deferred until final judgment has been entered, in which claims of district court error at any stage of the litigation may be ventilated."); *Jays Foods, LLC v. Chem. & Allied Prod. Workers Union*, 208 F.3d 610, 614 (7th Cir. 2000) (the merger rule allows a

party to "bring a single appeal from the judgment and challenge all nonmoot interlocutory orders, appealable or not, rendered along the way").

Section 319 is the IPR equivalent of Section 1291: it allows parties dissatisfied with any aspect of the Board's rulings to appeal from a "final written decision" and incorporates merger-rule jurisprudence that allows parties to appeal issues merged into the Board's "final" judgment. Congress's use of the term of art "final" in Section 319, with no limiting language, indicates an intent to incorporate the merger rule to allow all issues to be raised in one proceeding, and in no way indicates an intent to limit the range of appealable issues. *See Bragdon v. Abbott*, 524 U.S. 624, 645 (1998) ("When administrative and judicial interpretations have settled the meaning of an existing statutory provision, repetition of the same language in a new statute indicates, as a general matter, the intent to incorporate its administrative and judicial interpretations as well."). This demonstrates that, absent clear language to the contrary, issues raised in an IPR proceeding are preserved and can be raised on appeal.

2. *The Plain Language Of 35 U.S.C. § 314 Provides For Only One Exception To The Scope Of Appealable Issues*

In the statutes at issue here, Congress has provided one exception to the scope of appealable issues. With 35 U.S.C. § 314(d), Congress specified that a determination whether to institute review "under this section" shall be "final and nonappealable." 35 U.S.C. § 314(d). As the plain text of Section 314(d) indicates, a determination "under" Section 314 addresses only one question:

whether "the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C. § 314(a).[9] Congress prudently prevented this particular appeal because, where the proceeding has been instituted, the final merits-based decision (which employs a heightened standard as compared to the institution decision) renders this threshold question irrelevant and any appeal therefrom wasteful. *See In re Hiniker Co.*, 150 F.3d 1362, 1366-67 (Fed. Cir. 1998). Where the proceeding has not been instituted, a bar on frivolous appeals prevents delay and harassment.

Contrary to the Federal Circuit's interpretation in *Cuozzo*, Section 314's "final and nonappealable" language does not bar "all review of the decision whether to institute." *Cuozzo*, 793 F.3d at 1273. If affirmed, the overbroad interpretation of the Federal Circuit would consume the long-standing merger rule, violate this Court's strong presumption that Congress intends judicial review of administrative action, and provide almost no recourse for the Board's *ultra vires* actions and due process errors, such as those found in Cuozzo's and SightSound's cases.

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[9] A similar statutory scheme governs PGR and CBMPR proceedings. *See* 35 U.S.C. §§ 324 and 329.

B. Cuozzo's And SightSound's Appeals Originate From Issues That Merged Into The Board's Final Written Decisions

Cuozzo's and SightSound's appeals do not originate from a decision "under" Sections 314 and 324, respectively—the only type of decision that is not merged into the final written decision. Rather, the challenged decisions originate from identically phrased provisions in 35 U.S.C. §§ 312(a)(3) (IPR) and 322(a)(3) (PGR and CBMPR), which require that "the petition identif[y], in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." 35 U.S.C. §§ 312(a)(3) and 322(a)(3).[10] In direct contravention of these sections, the Board departed from the petitions by identifying *sua sponte* the ultimately invalidating grounds of unpatentability for Cuozzo's and SightSound's claims. In Cuozzo's case, the Board applied a combination of prior art that the petition identified for one particular claim to invalidate two others not asserted by the petitioner. *Cuozzo* Merits Brief at 7 In SightSound's case, the Board posited an

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[10] *See also* 35 U.S.C. §§ 314(a) and 324(a) (information "in the petition," if unrebutted, must show why any claims are unpatentable); 37 C.F.R. §§ 42.104(b) and 42.204(b) (petition must state "the precise relief requested for each claim challenged" by identifying (i) "[t]he claim" and (ii) the "specific statutory grounds" applicable to each claim); 37 C.F.R. §§ 42.104(b)(4)-(5) and 42.204(b)(4)-(5) (petition must connect the "statutory grounds" to "specific portions of the evidence that support the challenge"); 37 C.F.R. §§ 42.108(a), (c) and 42.208(a), (c) (The Board may only conduct review on "grounds of unpatentability asserted for each claim," and "shall not" institute review on grounds unsupported by a petition).

obviousness ground in light of twelve references, when the petition merely identified a meritless anticipation ground. Op. Br. at *20-21; *see also supra*, Part I.A.

In raising its own grounds of unpatentability, the Board disregarded its role as a neutral arbiter and became an advocate against Cuozzo's and SightSound's patents—a role that exceeded Congress's narrow grant of statutory authority. The mere fact that these errors were made at the same stage of the proceedings or even in the same orders as the Board's determinations under Sections 314(a) or 324(a) does not render the errors "final and nonappealable." A contrary finding would allow the narrow exceptions of Sections 314 and 324 to swallow the long-standing merger rule and shield from review the Board's *ultra vires* actions—an extreme result that would shield significant portions of IPR, PGR, and CBMPR proceedings from any form of judicial review.

Far from foreclosing review of virtually any issue but the merits of a final decision with respect to patentability, the appeal provisions of the AIA reflect Congress's intent that the Federal Circuit ensure the Board's compliance with all relevant statutory and regulatory requirements. The decisions of the Federal Circuit in *Cuozzo*, *Versata* and *Achates*, as well as SightSound's appeal, represent an abdication of the Federal Circuit's duty to carry out this oversight function and should be vacated.

III. A PRESUMPTION OF JUDICIAL REVIEW OF AGENCY ACTIONS MUST INFORM THE COURT'S INTERPRETATION OF SECTION 314(d).

As Cuozzo has described, interpreting Section 314(d) narrowly to preserve the court's authority to review and correct *ultra vires* agency action comports with core principles of administrative law. For decades, this Court has applied a "strong presumption" in favor of judicial review when construing statutes that impose limits on a party's right to appeal. *Bowen*, 476 U.S. at 670-671 (noting the "strong presumption that Congress intends judicial review of administrative action"). The balance of powers especially favors judicial review when the appeal raises questions about an agency's statutory authority. *See Mach Mining, LLC v. EEOC*, 135 S. Ct. 1645, 1651 (2015) (explaining that Congress "rarely intends to prevent courts from enforcing its directives to federal agencies"). The presumption is most powerful when the agency's action implicates the deprivation of a property right, such as a patent. *Bowen*, 476 U.S. at 670-71. Accordingly, a party seeking to avoid judicial review of agency action must provide "clear and convincing evidence" of Congress's intent in this regard. *Id.* at 671; *see Abbott Labs. v. Gardner*, 387 U.S. 136, 141 (1967); *Dunlop v. Bachowski*, 421 U.S. 560, 567 (1975).

Under these authorities, this Court has narrowly construed statutory language similar to Section 314(d) and held that it does not bar review of whether the agency properly followed the law. *See Lindahl*, 470 U.S. at 778-80. In *Lindahl*, this Court considered an appeals bar in the amended Civil

Service Retirement Act, which provided that in voluntary disability retirement cases, the Office of Personnel Management would determine "[q]uestions of dependency and disability," and further that "its decisions with respect to such matters shall be final and conclusive and shall not be subject to review." *Id.* at 773 (citing 5 U.S.C. § 8347(c)). Rejecting the Federal Circuit's expansive interpretation, the *Lindahl* Court held that "the finality bar may extend only to OPM's factual determinations [about] disability and dependency." *Id.* at 780. This Court made clear that courts retain the authority to determine "whether there has been a substantial departure from important procedural rights, a misconstruction of the governing legislation, or some like error 'going to the heart of the administrative determination.'" *Id.* at 791; *see id.* at 779 (distinguishing non-reviewable factual determinations from "questions of what laws and procedures the OPM must apply in administering the Retirement Act").

The Federal Circuit in *Lindahl* concluded—just as the panel majority did in *Cuozzo*—that the plain language of a finality bar offered conclusive evidence of congressional intent to foreclose all review of OPM determinations, including "legal and procedural errors." *Id.* at 777, 779; *Lindahl v. OPM*, 718 F.2d 391, 393 (Fed. Cir. 1983) (en banc) (declaring that "[i]t is difficult to conceive of a more clear-cut statement of congressional intent to preclude review than one in which the concept of finality is thrice repeated in a single sentence"). This conclusion, however, was viewed skeptically by this Court. *Lindahl*, 470 U.S. at 779. Applying the presumption of judicial review previously articulated in *Abbott Laboratories* and *Dunlop*, this Court cautioned

against interpreting a statute as an absolute bar to judicial review when it could plausibly be read to cover a narrower category of determinations. *Lindahl*, 470 U.S. at 779. It further reasoned that "when Congress intends to bar judicial review altogether, it typically employs language far more unambiguous and comprehensive than that set forth in [5 U.S.C.] § 8347" *Id.* at 779-80. The presumption of judicial review required that the statute be read narrowly.

The appeals bar in Section 314(d) is narrower than even that in Section 8347, and certainly does not provide "clear and convincing evidence" that Congress sought to forever insulate all aspects of the Board's institution decision from judicial review. To the contrary, Congress carved out a narrow exception to Section 319's general right of appeal for Board determinations made "under" Section 314. It did not explicitly shield from review Board determinations made under *other* sections of the AIA or the Patent Act. *See supra*, Part II.A.2.

Had Congress wished to imbue the Board with unreviewable power to raise and adjudicate issues as it saw fit, it was capable of writing a statute to carry that purpose into effect. The AIA does not empower the Board to advance its own grounds of unpatentability, much less exempt them from meaningful judicial review. In misconstruing the plain language of Section 314 and failing to apply the presumptions of *Bowen*, *Lindahl*, and their progeny, the Federal Circuit erred.

IV THE BOARD'S ACTIONS ARE SEPARATELY REVIEWABLE UNDER THE *ULTRA VIRES* DOCTRINE.

SightSound also agrees with Cuozzo that were the Court to accept a somewhat broader construction of Section 314(d), the judiciary would nevertheless retain the authority and duty to conduct the review that Cuozzo seeks here (as well as the review SightSound seeks in its own appeal). This is because, notwithstanding a "no appeal" provision, courts always have the non-statutory authority to review and correct *ultra vires* agency actions.[11] *See Leedom v. Kyne*, 358 U.S. 184, 188 (1958) (holding that a certification order by the National Labor Relations Board during collective bargaining proceedings, statutorily barred from judicial review under the Wagner Act, is nevertheless reviewable if the appeal seeks "to strike down an order of the Board made in excess of its delegated powers and contrary to a specific prohibition in the Act"); *Anthony v. OPM*, 58 F.3d 620, 625 (Fed. Cir. 1995) (holding that a no-appeal provision could not foreclose the right to appeal a "substantial departure from important procedural rights, a misconstruction of the governing legislation, or some like error 'going to the heart of the administrative determination'") (quoting *Lindahl*, 470 U.S. at 791); *Doty v. United States*, 53 F.3d 1244 (Fed. Cir. 1995) (holding that, even in light of a no-appeal provision, the court could consider an appeal claiming that procedural defects in an administrative proceeding violated due

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[11] The authority to review *ultra vires* agency action is supported by federal statute when the conduct deprives a party of its due process rights. *See* 5 U.S.C. § 706(2).

process); *Aid Ass'n for Lutherans v. U.S. Postal Serv.*, 321 F.3d 1166, 1173 (D.C. Cir. 2003) (holding that the petitioner could challenge an allegedly *ultra vires* rule issued by the Postal Service, even though the service is exempt from APA review). Quite simply, "[a]n agency may not finally decide the limits of its statutory power." *Soc. Sec. Bd. v. Nierotko*, 327 U.S. 358, 369 (1946).

In SightSound's case, had the Board followed its mandate and confined its review to the grounds asserted in Apple's petition, the SightSound patents would never have been invalidated. This case demonstrates precisely why the *ultra vires* doctrine exists. Even in the face of an appeal bar, this Court must uphold its duty to review and correct *ultra vires* agency actions. A contrary decision would give the Board carte blanche to ignore the directives of the AIA and escape oversight.

Finally, the Federal Circuit's review of the Board's merits determination does not ensure that the Board's *ultra vires* actions at the institution stage are harmless. For example, SightSound was hindered in its ability to develop a record and formulate a response to obviousness arguments that were never specifically identified until the Board's final written decision. Moreover, the Federal Circuit employs a substantial evidence standard of review for the Board's merits determinations, not *de novo* review. Therefore, the Federal Circuit may affirm a final decision invalidating a claim that, without a deferential standard, it otherwise would reverse. In this instance, an otherwise valid claim will have been invalidated by the Board's *ultra vires* action.

CONCLUSION

For the foregoing reasons and those explained by Cuozzo, the Court should reverse the judgment below.

Respectfully submitted,

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In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

AMICI CURIAE BRIEF OF 3M COMPANY, BRISTOL-MYERS SQUIBB CO., CARGILL INCORPORATED, CATERPILLAR INC., ELI LILLY AND COMPANY, GLAXOSMITHKLINE LLC, ILLINOIS TOOL WORKS INC., JOHNSON & JOHNSON, MONSANTO COMPANY, PFIZER INC., THE PROCTER & GAMBLE COMPANY, QUALCOMM INCORPORATED AND SANOFI US IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

INTEREST OF AMICI CURIAE 1

SUMMARY OF ARGUMENT 3

ARGUMENT 9

I. The Federal Circuit's Decision is Inconsistent with the Language of AIA and its Legislative History. 9

A. Congress Intended to Create an Adjudicative Proceeding to Determine the Validity of Patent Claims, Not Another Examination Proceeding. 9

B. The Provisions of the AIA Confirm that Congress Did Not "Ratify" the BRI Standard. 14

II. The PTO's Promulgation of the BRI Rule is Invalid. 16

A. The AIA Did Not Provide the PTO with Substantive Rulemaking Authority 16

B. The BRI Rule is Not a Reasonable Interpretation of the AIA. 17

III. **The Federal Circuit's Decision Permitting Different Claim Construction Standards in Different Adjudicative Tribunals Undermines Sound Patent Policy and Warrants This Court's Immediate Intervention.** 19

CONCLUSION 25

TABLE OF AUTHORITIES

CASES

Biogen Idec, Inc. v. GlaxoSmithKline LLC,
713 F.3d 1090 (Fed. Cir. 2013) 19

In re Buszard,
504 F.3d 1364 (Fed. Cir. 2007)..... 12

Cooper Techs. Co. v. Dudas,
536 F.3d 1330 (Fed. Cir. 2008)..... 16

In re Cuozzo Speed Techs., LLC,
793 F.3d 1268 (Fed. Cir. 2015)..... 6, 9

In re Cuozzo Speed Techs., LLC,
793 F.3d 1297 (Fed. Cir. 2015)..... 7, 10

Flo Healthcare Solutions, LLC v. Kappos,
697 F.3d 1367 (Fed. Cir. 2012)..... 24

Girouard v. United States,
328 U.S. 61 (1946) 10

Graham v. John Deere,
383 U.S. 1 (1966) 11

Markman v. Westview Instruments, Inc.,
52 F.3d 967 (Fed. Cir. 1995) *aff'd* 517 U.S.
370 (1996)..... 11, 19, 20

Michigan v. EPA,
___ U.S. ___, 135 S. Ct. 2699 (2015)..... 18

Peters v. Active Mfg. Co.,
129 U.S. 530 (1889) 18

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005).....9, 11, 12, 14, 22

In re Prater,
415 F.2d 1393 (C.C.P.A. 1969) 12

Source Search Techs., LLC. v. LendingTree, LLC,
588 F.3d 1063 (Fed. Cir. 2009)..... 25

Vitronics Corp. v. Conceptronic, Inc.,
90 F.3d 1576 (Fed. Cir. 1996)..... 11

White v. Dunbar,
119 U.S. 47 (1886) 18

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984)..... 15

STATUTES

5 U.S.C. § 8347(a)..... 17

35 U.S.C. § 2(b)(2)(A) 16

35 U.S.C. § 112(b)..... 10

35 U.S.C. § 252 22

35 U.S.C. § 282(b)(2) 4

35 U.S.C. § 282(b)(3) 4

35 U.S.C. § 301(a)(2) 14

35 U.S.C. § 301(d) 14

35 U.S.C. § 311 4

35 U.S.C. § 316 ..... 14, 16, 17

35 U.S.C. § 316(a) 17

35 U.S.C. § 316(a)(4) 16

35 U.S.C. § 316(a)(5) 17

35 U.S.C. § 316(d) 15

35 U.S.C. § 316(e) 14

35 U.S.C. § 318 14

35 U.S.C. § 318(c) 21

35 U.S.C. § 321 4

35 U.S.C. § 325(d) 14

35 U.S.C. § 326 14

35 U.S.C. § 326(e) 14

35 U.S.C. § 328 14

38 U.S.C. § 501 17

Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) 2, 5

RULES AND REGULATIONS

37 C.F.R. § 42.300(b) 6

MPEP § 2111 12

LEGISLATIVE MATERIALS

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OTHER AUTHORITIES

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INTEREST OF AMICI CURIAE[1]

Amici 3M Company, Bristol-Myers Squibb Co., Cargill Incorporated, Caterpillar Inc., Eli Lilly and Company, GlaxoSmithKline, Illinois Tool Works Inc., Johnson & Johnson, Monsanto Company, Pfizer Inc., The Procter & Gamble Company, Qualcomm Incorporated and Sanofi US are among the oldest and most successful American innovators. Together they spend tens of billions of dollars annually and employ hundreds of thousands scientists, engineers, and others in the United States alone to develop, produce, and market new products. To protect these activities, Amici collectively hold tens of thousands of patents and seek many more every year through the PTO.

Because of the nature of their businesses, Amici participate extensively in patent litigation, to enforce their patent rights against infringers and to defend against alleged infringement. Amici have a substantial interest in the correct and consistent

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[1] Pursuant to Supreme Court Rule 37.6, counsel for Amici represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than amici or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.2(a), counsel for Amici represent that all parties were provided notice of Amici's intention to file this brief at least 10 days before its due date. Pursuant to Rule 37.3(a), counsel for amici represent that all parties have consented to the filing of this brief. Petitioner has filed a letter granting blanket consent to the filing of amicus briefs; written consent of Respondent to the filing of this brief is being submitted contemporaneously with this brief.

interpretation of the patent laws, including the implementation by the United States Patent & Trademark Patent Office ("PTO") of inter partes reviews ("IPRs"), post-grant reviews ("PGRs"), and cover business method patent reviews ("CBMs") brought under the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011).[2]

The Federal Circuit's decision below erred in endorsing the PTO's rule that patent claims adjudicated in an IPR proceeding should be given their "broadest reasonable interpretation." The decision is contrary to the text and history of the AIA, and disturbs the well-settled principle that the claims of an issued patent should be construed the same way for purposes of infringement and validity. The application of a uniform claim construction standard in PTO adjudicative proceedings, district court litigation, and International Trade Commission ("ITC") investigations is necessary for the proper implementation of the AIA as well as the proper functioning of the patent system as a whole.

The time to address this question of critical importance is now. The PTO has received a flood of petitions for post-issuance proceedings, the vast

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[2] This case presents the question of the proper claim construction standard to be used in IPR proceedings, and Amici therefore present their arguments in the context of IPR proceedings. However, the same issue arises in connection with PGR and CBM proceedings, and the same claim construction standard should be used in all three of the new post-issuance proceedings created by the AIA.

majority of which involve co-pending federal court litigation. IPR proceedings have become a fast-growing alternative to district court litigation for adjudicating patent validity. Congress did not intend that patent claims adjudicated in the PTO's Article I courts would be interpreted using a standard that is contrary to the standard used by Article III courts.

As the number of IPR, PGR and CBM proceedings grows, the risk of inconsistent claim construction rulings between post-issuance adjudications, on the one hand, and district court and ITC litigation, on the other, also grows. Uncertainty as to the PTO's proper interpretation of the claims of the thousands of issued patents currently under review creates opportunities for gamesmanship and inconsistent results. This uncertainty undermines confidence in the patent system, which has an adverse effect on the patent-owner community's investments in the development, commercialization and enforcement their patent rights; patent licensing; design-around activities; and other patent-related business decisions.

SUMMARY OF ARGUMENT

Amici urge this Court to grant Cuozzo's petition for a writ of certiorari and reverse the Federal Circuit's ruling below to ensure that the PTO conducts and decides post-issuance proceedings consistent with the America Invents Act, its legislative history and sound patent policy. The Federal Circuit panel erroneously interpreted the AIA to permit the PTO to construe the claims of

issued patents more broadly than the PTO and patent owner intended at the time of their original grants, and more broadly than any court would allow.

This practice undermines the fundamental principle of patent law that the claims of an issued patent should be construed consistently for purposes of adjudicating their infringement and validity. It can lead to invalidation of narrowly drawn patent claims that would be held valid and enforceable by Article III courts, unfairly upsetting expectations and defeating the intent of Congress. Congress created IPRs as an alternative to litigation, not as a vehicle for the PTO to promulgate new substantive rules that redefine how patent validity is adjudicated.

There is no dispute that Congress established post-issuance patent review proceedings as alternatives to district court and ITC litigation to provide less expensive and less time-consuming procedures to determine the validity of issued patents.[3] In doing so, Congress intended to "convert"

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[3] By way of background, an IPR proceeding is a procedure to adjudicate the validity of patent claims based on patents and printed publications. 35 U.S.C. § 311. A PGR proceeding is a procedure to adjudicate the validity of patent claims on any ground that could be raised under 35 U.S.C. § 282(b)(2) or (3). 35 U.S.C. § 321. A CBM proceeding is a procedure to adjudicate the validity of patents claiming "a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the

the underutilized and protracted inter partes reexamination proceeding "from an examinational to an adjudicative proceeding...," renamed as "inter partes review." H.R. Rep. No. 112-98, pt. 1 (2011), at 46-47.

The PTO's decision to apply a "broadest reasonable interpretation" of issued claims in post-issuance proceedings is contrary to the AIA and sound patent policy. Congress did not establish IPRs as an extension of patent examination or reexamination, where patent applicants have an unfettered right to amend their claims, and the use of the "broadest reasonable interpretation" ("BRI") standard is therefore both traditional and appropriate. Rather, Congress established these post-issuance proceedings as adjudicative proceedings which are to take place in a "court-like setting" where the use of "broadest reasonable interpretation" has never been condoned. H.R. Rep. No. 112-98, pt. 1, at 68.

Consistent with this intent, Congress expressly restricted the patentee's ability to amend claims in the new adjudicative proceedings. There is no right to amend claims. Instead, the patentee may only file a single motion to ***cancel*** a challenged claim, and, having done so, can ***propose*** a "reasonable number" of substitute claims. The PTO's use of the BRI standard in these proceedings, rather than the well-established principles of claim construction that federal courts and the ITC apply to issued patents,

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term does not include patents for technological inventions." Leahy-Smith America Invents Act § 18(d)(1).

departs from two fundamental tenets of patent law. First, the correct, legally binding scope of issued claims is based on the "ordinary and customary meaning," considering all legally relevant intrinsic and extrinsic evidence, including the applicant's statements about claim scope during patent prosecution. Second, issued claims are to be interpreted consistently to adjudicate both validity and infringement.

In its split decision below, the panel majority disregarded the long-standing distinction between the way claims are construed in adjudicative proceedings, on the one hand, and during their pre-issuance examination by a patent examiner or reexamination, on the other. Finding no express justification in the statutory language or legislative history, it held that Congress "implicitly" approved the broadest reasonable interpretation standard in passing the AIA. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278 (Fed. Cir. 2015). The panel further stated that "[e]ven if we were to conclude that Congress did not itself approve the broadest reasonable interpretation standard in enacting the AIA," the PTO's promulgation of 37 C.F.R. § 42.300(b), which provides that claims challenged in an IPR are interpreted under a BRI standard, was reasonable and entitled to *Chevron* deference. *Id.*

The panel majority erred in holding that Congress implicitly ratified BRI for such proceedings when it enacted the AIA. The statute's express provisions and legislative history show that Congress intended to create an Article I adjudicatory proceeding within the PTO as an efficient

alternative to Article III litigation of patent validity challenges. Congress did not intend to give challengers the ability to invalidate patents based on artificially broad claim scope. The panel further erred in holding that the AIA conferred substantive rule-making authority on the PTO and in concluding that the BRI Rule is a permissible interpretation of the AIA.

The Federal Circuit denied Cuozzo's petition for en banc rehearing of the panel's 2-1 decision by a vote of 6-5. The joint dissent of five judges emphasized that "[i]n adjudicatory proceedings, claims are given their actual meaning, not their broadest reasonable interpretation." *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1297, 1299 (Fed. Cir. 2015) (dissenting opinion of Prost, C.J., Newman, Moore, O'Malley and Reyna). This deep division among the Federal Circuit judges on an issue of paramount importance to a properly functioning patent system justifies review by the Court.

Indeed, it is difficult to overstate the importance of this issue to our patent system and the public confidence it. The PTO has received 3,973 total petitions for AIA post-grant review as of September 2015, putting its docket close to the top judicial district for patent litigation, and the number of petitions is growing. *See* USPTO, *Patent Trial and Appeal Board Statistics*, http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf. The scope and meaning of challenged claims is a central issue in most, if not all, of these proceedings. As the 2-1 panel decision and the joint dissent from the en banc denial

demonstrate, there is substantial disagreement over whether the PTO may properly and lawfully apply the "broadest reasonable interpretation" standard in these proceedings. It is imperative that the Court decide this issue now, before thousands of reviews are completed under what Amici submit is an erroneous claim construction protocol.

The PTO's improper promulgation and use of the BRI Rule has undermined the public's confidence in the validity of patents issued by the PTO by creating an infringer-friendly forum that threatens the integrity of the patent system as well as the courts. Under the Federal Circuit's decision, patent claims that would withstand invalidity challenges in court can still be invalidated by the PTO when given a broader reading than the patentee intended. The PTO's substantive rule-making, in the absence of any grant of Congressional authority to do so, deprives patent owners of valuable property rights, creates uncertainty, and is an invitation to gamesmanship. The lack of certainty as to the meaning (and therefore value) of a patent is costly to the inventive community and discourages both innovation and investment.

This Court should now grant certiorari to resolve this question of exceptional importance: whether in IPR proceedings, the Board may construe claims of an issued patent according to their broadest reasonable interpretation rather than their plain and ordinary meaning. This Court should correct the Federal Circuit's misinterpretation of the AIA as to this issue of fundamental importance to the patent system. And it needs to do so now, as

more petitions are filed and wrongly decided based on incorrect claim construction, creating unpredictability, inefficiency, and wasteful expenditure of public and private resources.

ARGUMENT

I. The Federal Circuit's Decision is Inconsistent with the Language of AIA and its Legislative History.

A. Congress Intended to Create an Adjudicative Proceeding to Determine the Validity of Patent Claims, Not Another Examination Proceeding.

The panel majority erred in concluding that Congress intended for the PTO to use the claim construction standard it historically has used in its examination of pending claims, and in reexamination, to construe issued claims in IPR proceedings. The panel majority's erroneous holding rests on the incorrect assumption that because "the broadest reasonable interpretation standard has been applied by the PTO for more than 100 years in various types of PTO proceedings," 793 F.3d at 1276, Congress "impliedly approved" the use of the "broadest reasonable interpretation" standard. The panel majority reasoned that the absence of an explicit statement from Congress that it wished to adopt *Phillips* claim construction standards for post-issuance proceedings should be interpreted as an endorsement of the use of the BRI Rule. In addition, according to the panel majority, it could be "inferred"

from the legislative history of the AIA that Congress "impliedly approved" the use of BRI. *Id.* at 1277

This conclusion is unfounded. As dissenting Judge Pauline Newman wrote, "the question before this court is not whether to 'eliminate' BRI, but whether to impose it on issued patents, where it has not previously reposed." *Cuozzo*, 793 F.3d at 1306. In fact, Congress made no explicit reference to any claim construction standard applicable to AIA post-issuance proceedings. Its silence does not support "inferring" that Congress intended to adopt the use of BRI. *See, e.g., Girouard v. United States*, 328 U.S. 61, 69 (1946) ("It is at best treacherous to find in congressional silence alone the adoption of a controlling rule of law.").

As Chief Judge Prost, along with Judges Newman, Moore, O'Malley, and Reyna, pointed out in their joint dissent from the denial of rehearing, "our background of existing law not only fails to support the conclusion drawn by the panel majority, it points to the ***opposite*** result." *Cuozzo*, 793 F.3d at 1300 (emphasis in original). The well-settled law governing interpretation of ***issued*** patents (of which Congress was well-aware at the time it enacted the AIA), the historical basis for using the BRI standard in examination and reexamination proceedings, and the legislative history of the AIA supply strong evidence of the panel majority's error.

The claims of an issued patent define the invention's metes and bounds. 35 U.S.C. § 112(b). It is the job of the courts to interpret the claims and determine the scope of patented inventions as part of

the infringement and validity analysis. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (*en banc*) *aff'd* 517 U.S. 370 (1996). To determine this "ordinary and customary" meaning, courts begin with intrinsic evidence: the claims, specification and prosecution history. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (*en banc*). Intrinsic evidence is critical because it "constitute[s] the public record of the patentee's claim, a record on which the public is entitled to rely." *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996). The specification is relevant to determine whether the inventor has used any terms in a manner inconsistent with their ordinary meaning. *Id.* Likewise, the prosecution history provides guidance as to the scope of the claims because it contains:

> the complete record of all the proceedings before the Patent and Trademark Office, including any express representations made by the applicant regarding the scope of the claims. As such, the record before the Patent and Trademark Office is often of critical significance in determining the meaning of the claims. Included within the analysis of the file history may be an examination of the prior art cited therein.

Id. (citing *Graham v. John Deere*, 383 U.S. 1, 33 (1966)). For decades, this body of intrinsic evidence has served as the primary record by which courts adjudicating issues of patent validity and

infringement have determined the "ordinary and customary" meaning of patent claims. *Phillips,* 415 F.3d at 1313.

By contrast, the PTO has historically used the BRI standard to consider pending patent claims in examination or unexpired issued claims in reexamination. This protocol gives claims "their broadest reasonable interpretation consistent with the specification" but does not utilize other intrinsic evidence, including the prosecution history, or extrinsic evidence. *Manual of Patent Examining Procedure* ("MPEP"), § 2111. The PTO also uses BRI in most reissue, ex parte, and inter partes reexamination proceedings, which the PTO treats in the same manner as original applications, as a continuation of patent examination. The justification for BRI in examination and reexamination is the patentee's ability to amend freely. *In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969) ("[C]laims yet unpatented are to be given the broadest reasonable interpretation consistent with the specification during the examination of a patent application since the applicant may then amend his claims, the thought being to reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified."); *In re Buszard*, 504 F.3d 1364, 1366-67 (Fed. Cir. 2007) ("[T]he patent examiner and the applicant, in the give and take of rejection and response, work toward defining the metes and bounds of the invention to be patented.").

The legislative history of the AIA repeatedly refers to the new post-issuance proceedings as adjudicative proceedings, designed to provide cheaper and faster procedures for bringing invalidity challenges that previously could be heard only in district courts. The House Report draws a sharp distinction between PTO examination proceedings and adjudicative proceedings: "[t]he Act converts inter partes reexamination from an examinational to ***an adjudicative proceeding***, and renames the proceeding 'inter partes review.'" H.R. Rep. No. 112-98, pt. 1, at 46-47 (emphasis added). The Report explained that the AIA would "[e]stablish a new procedure, known as post-grant review, to review the validity of a patent. This option ....would take place in a ***court-like proceeding***...." *Id.* at 68 (emphasis added); *see also id.* at 75 (describing PGR and IPR as "***adjudicative systems***") (emphasis added).

The legislative history clearly shows Congress' intent to create adjudicatory proceedings that, to assess the validity of patents, would use the same legal framework as Article III courts use to adjudicate issued patents. There is no indication that Congress intended to create new and fundamentally different substantive standards governing patent validity when adjudicated in the PTO's Article I courts.

B. The Provisions of the AIA Confirm that Congress Did Not "Ratify" the BRI Standard.

On the contrary, the express statutory language confirms Congress' understanding that the *Phillips* claim construction standard would be used by the PTO in post-issuance proceedings. Section 325(d) authorizes the PTO Director to consider the patent's prosecution history (including statements made by the patentee) in deciding to institute a proceeding. 35 U.S.C. § 325(d). The AIA also contemplates that the PTO consider "statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent" in construing claims during an AIA post-grant proceeding. *Id.* §§ 301(a)(2) & (d). If Congress had intended the PTO to ignore prosecution history and apply the BRI Rule, these statutory provisions would have made no sense.

Other provisions of the AIA likewise demonstrate the unreasonableness of the PTO's position that the AIA authorizes the PTO to construe claims in the new post-issuance adjudicative proceedings as if they were undergoing examination. Reflecting Congress' vision of IPRs as adjudicative proceedings, the AIA mandates discovery, depositions, experts, an oral hearing and a final written decision by the Board. *Id* §§ 316, 318, 326, 328. Congress also placed the burden of proof on the petitioner, just as the patent challenger bears the burden of proof in district court. *Id.* §§ 316(e), 326(e).

Importantly, Congress created a material difference between (i) initial examination and reexamination, which permit multiple rounds of iterative claim amendments, and (ii) adjudicative proceedings, which do not. Under the AIA, the patentee does not have the liberal right to amend its patent claims in post-issuance proceedings. Section 316(d) allows the patent owner only a one-time chance to request cancellation of a challenged claim and to propose "a reasonable number of substitute claims" for the challenged claim. *Id.* § 316(d). Indeed, Congress eliminated inter partes reexamination because it was impractical to incorporate adversarial participation into a procedure allowing the patentee multiple amendments of the claims in play. H.R. Rep. 112-98, pt. 1, at 45-46.

The panel majority's offhand reference to a patentee's theoretical ability to amend claims during an IPR proceeding glosses over the strict statutory limitations on amendments in post-issuance proceedings. First and foremost, as the AIA has been interpreted by the PTO, the patentee has no right to amend claims in these proceedings. Rather, under § 316(d), the patentee only has the right to file a ***motion*** to cancel a challenged claim or to propose a substitute claim. 35 U.S.C. § 316(d). There is no guarantee that the PTO will allow such a motion—in contrast to the continuing, unfettered right of a patentee to amend any or all claims in examination and reexamination proceedings, upon which the Federal Circuit relied in upholding the use of BRI there. *See In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984).

II. The PTO's Promulgation of the BRI Rule is Invalid.

A. The AIA Did Not Provide the PTO with Substantive Rulemaking Authority.

The Federal Circuit also erred in concluding that Congress granted authority to the PTO to adopt a rule that would alter the standard used to determine the claim scope of issued patents in post-grant proceedings. Nothing in Section 316 confers substantive rulemaking authority. *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008) (stating "[a] rule is 'substantive' when it 'effects a change in existing law or policy' which 'affect[s] individual rights and obligations.'"). Under the Patent Act and the AIA, only procedural, not substantive, rules are within the rulemaking authority of the PTO. *Id.*

The AIA did not confer any new substantive rulemaking authority on the PTO that would expand its authority to promulgate rules governing claim scope of issued claims. Section 316 merely directs the PTO to promulgate regulations "establishing and governing" IPRs "and the relationship of such review to other proceedings under this title," 35 U.S.C. § 316(a)(4). This authority is no broader than the PTO's existing authority to promulgate rules governing the conduct of examination proceedings under Section 2(b)(2)(A). 35 U.S.C. § 2(b)(2)(A) (conferring upon the PTO the authority to promulgate procedural rules). No language in the AIA authorizes the PTO to promulgate rules permitting the PTO to assess the validity of issued

patents using an artificially broad claim scope, or otherwise confers authority for substantive rulemaking.[4]

Section 316 specifically identifies regulations the PTO was to promulgate, such as regulations providing for public access to the file of the proceeding in certain proscribed circumstances; establishing standards for the discovery of relevant evidence, "including that such discovery shall be limited" in certain proscribed ways; and providing either party with the right to an oral hearing as part of the proceeding. *Id.* § 316(a)(5). The House Report's analysis of Section 316(a) does not suggest any grant of rulemaking authority beyond what is expressly identified in that provision. *See* H.R. Rep. No. 112-98, pt. 1, at 76.

B. The BRI Rule is Not a Reasonable Interpretation of the AIA.

The BRI Rule is not a reasonable interpretation of the AIA and for that second,

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[4] The absence of any language in the AIA expanding the PTO's narrow rulemaking authority contrasts with the broad, express authority Congress has granted to other agencies. When Congress intends to delegate rulemaking authority, it makes that purpose clear. *See, e.g.*, 38 U.S.C. § 501 (Secretary of Veterans Affairs authorized to prescribe "all rules and regulations which are necessary or appropriate to carry out the laws administered by the Department..."); 5 U.S.C. § 8347(a) (Office of Personnel Management has authority to prescribe "such regulations as are necessary and proper to carry out [the Civil Service Retirement Act]").

independent reason, it is invalid. *See Michigan v. EPA*, __ U.S. ___, 135 S. Ct. 2699, 2706 (2015). As discussed in Section I, *supra*, the BRI Rule is not consistent with the AIA's provisions, legislative history or Congress' intent to create "court-like proceedings" to adjudicate patent validity. H.R. Rep. No. 112-98, pt. 1, at 68.

It is a fundamental tenet of patent law that issued claims should be interpreted the same for purposes of adjudicating their validity and infringement. *See, e.g., Peters v. Active Mfg. Co.*, 129 U.S. 530, 537 (1889) ("[t]hat which infringes, if later, would anticipate, if earlier"); *White v. Dunbar*, 119 U.S. 47, 51 (1886) (a patent claim is not "a nose of wax which may be turned and twisted in any direction"). There is no reasonable basis on which to conclude that Congress intended that the scope of an issued patent would be interpreted one way by courts and in a different way by the PTO in an IPR proceeding. Nor is there any reasonable basis to conclude that Congress intended the PTO to ignore the effort and expense invested by the patent applicant and the PTO during the original examination of a patent involved in an IPR proceeding—an approach that starts over with a blank slate rather than where the PTO left off at the time it concluded the patent should be granted. In sum, there is nothing in the language or legislative history of the AIA to suggest that Congress intended to create new post-issuance review proceedings that violate fundamental principles of patent law and create unbalanced playing fields tilted against patent owners in the manner that the PTO's rulemaking has done.

III. The Federal Circuit's Decision Permitting Different Claim Construction Standards in Different Adjudicative Tribunals Undermines Sound Patent Policy and Warrants This Court's Immediate Intervention.

The Federal Circuit's decision has invited inconsistency and uncertainty in the law and encourages gamesmanship. The application of the BRI Rule in post-issuance proceedings presents a question of exceptional importance and demands the urgent attention of this Court. Use of the BRI Rule in post-issuance proceedings threatens the integrity of the patent system at the expense of public resources.

By broadly interpreting the claims untethered to statements made by the patentee during prosecution of the patent that were intended to narrow claim scope, the use of BRI will undermine the public notice function of the patent's prosecution history, which historically has provided the public important information about the scope and meaning of the claim. *See Markman*, 517 U.S. 370, 373; *Biogen Idec, Inc. v. GlaxoSmithKline LLC*, 713 F.3d 1090, 1095 (Fed. Cir. 2013). Where the PTO has set forth its "broadest reasonable interpretation" of patent claims in a post-issuance proceeding and they are not determined to be invalid, there is likely to be uncertainty as to which interpretation defines the scope of the claimed invention going forward.

Uncertainty as to the scope of claims is costly to the inventive community and discourages innovation. Indeed, this Court in *Markman*

explained that "uniformity in the [claim construction] of a given patent" was critical in order to avoid a "zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims [that] would discourage invention only a little less than unequivocal foreclosure of the field." 517 U.S. at 390. Such uncertainty adversely affects patent licensing, design-around, and other critical business decisions, contrary to the goals of the AIA.

More generally, it is highly inefficient for the PTO to ignore the months or years of work undertaken by patent examiners and patent applicants during the original examination only to begin on a blank slate, without the benefit of the patentee's statements about the prior art and claim scope—producing results inconsistent with the outcome a court ultimately would reach based on the prosecution history. The development of the examination record represents a substantial investment of resources by both the patentee and the PTO. The average patent prosecution consumes 27.4 months. USPTO, *Performance and Accountability Report 2014*, http://www.uspto.gov/about/stratplan/ar/USPTOFY2014PAR.pdf. Typical charges for preparing and filing an original application range from $7,622 to $11,944. Am. Intellectual Prop. Law Ass'n, *Report of the Economic Survey* I-90-91 (2015). Costs for filing each amendment range from $2,479 to $4,541. *Id.* at I-108–110.

The BRI Rule requires the PTO's Article I courts to ignore the prosecution record created after so much time and expense. Consider, for example, a

newly-issued claim against which a PGR petition is filed. That claim may have undergone years of examination, during which the patent owner may have disclaimed claim scope or made statements distinguishing the claim from the same prior art cited in the PGR petition. It makes no sense for the PTO to pretend the prosecution history created did not exist and start over from scratch, even as to the same art it just considered during prosecution. Yet that is the result created by the PTO's adoption of the BRI Rule.

That result encourages unnecessary challenges to legitimate patent rights and increases patent costs. Claims that would be construed in light of the prosecution history and upheld under judicial claim construction rules could be invalidated when subjected to an overly broad reading under the BRI Rule. This is unfair to patent owners and an open invitation to gamesmanship. Moreover, the application of different standards in PTO and district court proceedings means that each proceeding's claim construction has no estoppel effect for subsequent proceedings, further encouraging gamesmanship.

Use of the BRI Rule can also lead, unfairly, to the creation of intervening third party rights.[5] Under the law of intervening rights, when a patent's claims are substantively amended during a post-issuance procedure, an accused infringer may be

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[5] Intervening rights will attach to a claim amended in an IPR proceeding. 35 U.S.C. § 318(c).

shielded from liability under the original claims. 35 U.S.C. § 252. A competitor facing infringement litigation might initiate a post-issuance proceeding in hopes of forcing the patentee to narrow its claims to overcome additional prior art that becomes relevant under the BRI standard. By triggering third-party intervening rights, the patent owner may forfeit valuable, legitimate patent scope (based on a *Phillips* construction) vis-à-vis anyone who practiced the invention prior to the issuance of any new or amended claim.

The inconsistent results arising from application of the BRI Rule create a strong incentive for parties to challenge patent validity in post-issuance proceedings while patentees seek to enforce the same patent in district court. The BRI Rule exacerbates the problem by creating an avenue for inconsistent treatment of patents. Indeed, former PTO Director David Kappos testified to the House Judiciary Committee that "having the USPTO apply a different standard than the courts is leading, and will continue to lead, to conflicting decisions." *Innovation Act: Hearing on H.R. 3309 Before the H. Comm. On the Judiciary*, 113th Cong. 39-46 (2013) (statement of David J. Kappos, Partner, Cravath, Swaine & Moore LLP).

The need for uniformity, as between post-issuance adjudicative proceedings in the PTO on the one hand, and district court and ITC proceedings on the other, is all the more acute due to the large number of proceedings filed annually. In November 2014, the PTO reported on its Patent Trial and

Appeal Board's ("PTAB") caseload as compared to the caseloads of federal district courts:

> The PTAB received 1,494 petitions from September 2013 to September 30, 2014; in all of 2013, 1511 complaints were filed in the Eastern District of Texas, 1335 in the District of Delaware, 408 in the Central District of California, and 248 in the northern District of California. The number of PTAB filings in FY 2014 was 1,494, thereby putting the PTAB ahead of all but one of the federal district courts in terms of patent disputes that they are handling.

USPTO, *Patent Public Advisory Committee Annual Report 2014* , 48, http://www.uspto.gov/about/advisory/ppac/PPAC_2014_AnnualReport.pdf.

The rate of post-issuance filings in these proceedings has continued to increase in each year since their creation. In September 30, 2015, the PTO reported that 1,897 filings have been made in 2015, significantly exceeding last year's total. USPTO, *Patent Trial and Appeal Board Statistics* (Sept. 30, 2015), http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf. Many, if not most, of these patents are the subject of concurrent litigation. Various sources report that 80% of all IPRs are also in related co-pending litigation and 100% of CBM proceedings have co-pending litigation. *See, e.g.*, Sterne Kessler Goldstein Fox, *One Year Later: Observations from the First Year of Contested Proceedings at the*

USPTO, 1 (Sept. 16, 2013), http://www.skgf.com/uploads/1230/doc/AIA_One_Year_Later_Report.pdf.

Lastly, the PTO's BRI Rule will impose significant burdens on the judiciary when the Federal Circuit is faced with appeals directed to differing constructions of the same claims by the PTAB and a district court. Such discrepancies will pose challenges for effective appellate review, compounded by uncertainty in the Federal Circuit's jurisprudence as to whether any deference is owed to the PTO's claim construction. *See Flo Healthcare Solutions, LLC v. Kappos*, 697 F.3d 1367, 1378 (Fed. Cir. 2012) (Plager, J., additional views). Simultaneous review of discordant PTAB and district court claim constructions threatens to undermine the goal of uniformity that the Federal Circuit was created to achieve. "The crying need for definitive, uniform, judicial interpretation of the national law of patents, on which our citizens may rely and plan with some certainty, has been recognized for over 60 years." *Court of Appeals for the Federal Circuit–1981: Hearings on H.R. 2405 Before the Subcomm. on Courts, Civil Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 97th Cong. 42–43 (1981) (statement of the Hon. Howard T. Markey, C.J., Court of Customs and Patent Appeals).

In sum, the PTAB's use of the BRI Rule in AIA post-issuance proceedings not only contravenes the intent of Congress in creating efficient alternatives to district court litigation, it also threatens fundamental tenets of our patent system: that the "ordinary and customary meaning" of the

claims of an issued patent defines the invention's metes and bounds, and that the "claims are construed the same way for both invalidity and infringement." *Source Search Techs., LLC.* v. *LendingTree, LLC*, 588 F.3d 1063, 1075 (Fed. Cir. 2009).

CONCLUSION

Amici respectfully submit that the Court should grant the petition for a writ of certiorari.

Respectfully submitted,

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In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

AMICI CURIAE BRIEF OF 3M COMPANY, BRISTOL-MYERS SQUIBB CO., CARGILL INCORPORATED, CATERPILLAR INC., ELI LILLY AND COMPANY, EXXON MOBIL CORPORATION, GLAXOSMITHKLINE LLC, ILLINOIS TOOL WORKS INC., JOHNSON & JOHNSON, MONSANTO COMPANY, PFIZER INC., PHILIPS ELECTRONICS NORTH AMERICA CORP., THE PROCTER & GAMBLE COMPANY, QUALCOMM INCORPORATED AND SANOFI US IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

INTEREST OF AMICI CURIAE 1

INTRODUCTION 2

SUMMARY OF ARGUMENT 4

ARGUMENT 10

I. The BRI Rule is Inconsistent with the Language of AIA and its Legislative History 10

A. Congress Created a New Adjudicative Proceeding to Determine the Validity of Granted Patent Claims 10

B. Congress Recognized the Distinction Between a Continued Examination Procedure and an Adjudicative Proceeding. 16

C. AIA Post-Issuance Proceedings Provide Patent Owners No Meaningful Opportunity to Amend Patent Claims 22

D. The Provisions of the AIA Confirm that Congress Did Not "Ratify" the BRI Standard. 25

II. The PTO's Promulgation of the BRI Rule is Invalid. 27

A. The AIA Does Not Give the PTO Substantive Rulemaking Authority. ..27

B. The BRI Rule is Not a Reasonable Interpretation of the AIA.....30

III. The Federal Circuit's Decision Permitting Conflicting Claim Construction Standards in Different Adjudicative Tribunals Undermines Sound Patent Policy. 32

CONCLUSION 37

UNITED STATES SUPREME COURT CASES

Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989) 4

FDA v. Brown & Williamson Tobacco Corp., 529 U.S. 120 (2000) 11

General Elec. Co. v. Wabash Appliance Corp., 304 U. S. 364 (1938) 34

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Michigan v. EPA, 135 S. Ct. 2699 (2015) 30

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Peters v. Active Mfg. Co., 129 U.S. 530 (1889) 31

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Util. Air Regulatory Group v. EPA, 134 S. Ct. 2427 (2014) 29, 30

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129 F.3d 1247 (Fed. Cir. 1997) 17

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536 F.3d 1330 (Fed. Cir. 2008) 28

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793 F.3d 1268 (Fed. Cir. 2015) 9, 11, 12

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aff'd 517 U.S. 370 (1996) 12

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789 F.3d 1292 (Fed. Cir. 2015) 14, 23

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U.S. Const.art. I, § 8, cl. 8..... 4

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5 U.S.C. § 8347(a) 28

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35 U.S.C. § 6(c) 19

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35 U.S.C. § 282(b)(2) 7

35 U.S.C. § 301(a)(2) 9, 26

35 U.S.C. § 301(d) 9, 26

35 U.S.C. § 305 17

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35 U.S.C. § 316(d) 22, 27

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38 U.S.C. § 501 28

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INTEREST OF AMICI CURIAE[1]

Amici 3M Company, Bristol-Myers Squibb Co., Cargill Incorporated, Caterpillar Inc., Eli Lilly and Company, Exxon Mobil Corporation, GlaxoSmithKline, Illinois Tool Works Inc., Johnson & Johnson, Monsanto Company, Pfizer Inc., Philips Electronics North America Corp., The Procter & Gamble Company, Qualcomm Incorporated and Sanofi US are among the most accomplished American innovators. Together they spend tens of billions of dollars annually and employ hundreds of thousands scientists, engineers, and others in the United States to develop, produce, and market new products. To protect their inventions, Amici collectively hold tens of thousands of patents and seek many more every year from the United States Patent & Trademark Patent Office (the "PTO").

Because of the nature of their businesses, Amici participate extensively in patent litigation, to enforce their patent rights against infringers and to defend against alleged infringement. Amici have a substantial interest in the correct and consistent interpretation of the patent laws, including the PTO's implementation of inter partes reviews

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[1] No counsel for a party authored this brief in whole or in part, nor has any counsel, party or third person other than Amici made any monetary contribution intended to fund the preparation or submission of this brief. The parties have consented to the filing of this brief. Petitioner has filed a letter granting blanket consent; Respondent's written consent to the filing of this brief is being submitted the Clerk of this Court contemporaneously with this brief.

("IPRs"), post-grant reviews ("PGRs"), and covered business method patent reviews ("CBMs") brought under the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011).[2]

INTRODUCTION

The Federal Circuit's divided decision below erred in endorsing the PTO's rule that an issued patent's claims, when adjudicated in an IPR proceeding, be given their "broadest reasonable interpretations," rather than limited to their actual, intended claim scope, as they would be in district court litigation. With the AIA, Congress created an alternative form of adjudicative proceeding, meant to be an expedited and less expensive way to determine the validity of issued patents than district court litigation. But nothing in the statutory language or legislative history even suggests that Congress ever intended to make it easier for challengers to invalidate patents by having the PTO construe the claims more broadly in such proceedings than they would be construed in court, making them more likely to run afoul of otherwise distinguishable prior art.

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[2] This case presents the question of the proper claim construction standard to be used in IPR proceedings, and Amici therefore present their arguments in the context of IPR proceedings. However, the same issue arises in PGR and CBM proceedings, and the same claim construction standard should be used in all three of the new AIA post-issuance proceedings.

The decision below is contrary to the text and legislative history of the AIA, and disturbs the well-settled principle that the claims of an issued patent should be construed the same way for adjudication of infringement and validity. In order to ensure the proper implementation of the AIA as well as the proper functioning of the patent system as a whole, a uniform claim construction standard—that accurately delineates the legally-binding scope of the claimed invention—must be applied in PTO trials, district court litigation, and International Trade Commission ("ITC") investigations.

The PTO's application of the broadest reasonable interpretation ("BRI") standard has turned IPRs into infringer-friendly proceedings that have attracted three times more filings than originally expected. The vast majority of these filings involve co-pending infringement litigation, creating the potential for forum-shopping based on the application of different claim construction standards. As the number of IPRs multiplies, the likelihood of inconsistent claim construction rulings grows.

Uncertainty as to how the PTO will interpret the claims of thousands of issued patents in IPR proceedings creates opportunities for gamesmanship and conflicting results. This uncertainty undermines confidence in the patent system and chills investment in the development and commercialization of patent-protected technologies by both large corporations and small businesses. It encourages innovators to maintain technological advances as trade secrets, rather than disclosing

them to the public through the patent system, and it encourages would-be copyists to eschew negotiating licenses in favor of simply infringing. Unpredictable patent scope also frustrates legitimate design-around activities and interferes with other patent-related business decisions.

SUMMARY OF ARGUMENT

Amici urge this Court to reverse the Federal Circuit's ruling below to ensure that the PTO conducts and decides post-issuance proceedings consistently with the AIA, its legislative history and sound patent policy.

As this Court has recognized, the patent system "embodies a carefully crafted bargain for encouraging the creation and disclosure of new, useful, and nonobvious advances in technology and design in return for the exclusive right to practice the invention for a period of years." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-51 (1989). In recognizing that an inventor is free to "keep his invention secret and reap its fruits indefinitely," the grant of a patent rewards the inventor for "disclosure and the consequent benefit to the community." *Id.* at 151. The public, at the same time, gains the benefit of the knowledge and ideas disclosed in the patent, upon which it can thereafter build, accelerating the "progress of science and the useful arts." U.S. Const., art. I, § 8, cl. 8.

The patent forms the basis for this contract, and the principal purpose of patent examination is to delineate the proper scope of protection to which the

inventor is entitled. This occurs through a back-and-forth dialogue with the patent examiner that defines and often narrows the metes and bounds of the patented invention. Once issued, a patent becomes the "personal property" of the patent owner. 35 U.S.C. § 261.

For decades, courts have respected the bargain struck between inventors and the Government when a patent issues. Courts have interpreted the claims of issued patents according to their plain and ordinary meanings to the skilled artisan, in view of the prosecution history that led to allowance of the claims. The legally-binding scope of patent claims informs licensing, development, commercialization and investment decisions, including, when necessary, assessments of validity and infringement.

Against this background, Congress enacted the AIA through which it intended to establish a less expensive and less time-consuming means to adjudicate the validity of issued patents.[3] To do so, Congress undertook to "convert" an existing PTO reexamination procedure—the underutilized and protracted inter partes reexamination proceeding—

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[3] An IPR proceeding is a procedure to challenge the validity of patent claims based on two forms of prior art: patents and printed publications. 35 U.S.C. § 311. A PGR proceeding, applicable only to post-AIA patents, permits a petitioner to challenge the validity of issued patents on any ground that could be raised under 35 U.S.C. § 282(b)(2) or (3), including 35 U.S.C. § 112. *See* 35 U.S.C. § 321. CBM proceedings allow challenges to the validity of certain "covered business method" patents, as defined by AIA § 18(d)(1).

"from an examinational to an ***adjudicative*** proceeding...," renamed as "inter partes review." H.R. Rep. No. 112-98, pt. 1 (2011), at 46-47 (emphasis added). Congress envisioned these new proceedings as providing an efficient, alternative forum to adjudicate the merits of third-party challenges to the validity of previously issued patents, not as further examination proceedings.

The PTO's promulgation of the BRI Rule, 42 C.F.R. § 42.100, which applies the broadest reasonable interpretation standard to the adjudication of issued patent claims in the newly-created IPR proceedings, abruptly departed from decades of precedent on the adjudication of issued patent claims by this Court and all other federal courts.

Application of the BRI Rule to issued claims in these adjudicative proceedings allows the PTO to ignore the prosecution history, relying instead on the literal claim language and the patent specification, regardless of how the claims may have been intentionally narrowed or further refined during examination. The applicant's admissions, estoppels, and claim scope clarifications that are routinely respected by the courts may be ignored by the PTO in IPR proceedings. The result is an unintended and artificial expansion of claim scope that makes patents more vulnerable to invalidation by the prior art. This concern is far from theoretical—it is real and immediate. The Federal Circuit is confronting cases in which the difference in claim construction standards is outcome determinative. This conflict threatens the carefully-crafted bargain struck

between the inventor and the Government, unfairly tipping the scales toward a finding of invalidity.

The BRI Rule also undermines a fundamental principle of patent law: the claims of an issued patent are to be construed consistently for purposes of adjudicating both infringement and validity. Infringement claims can only be adjudicated in the courts, which are required to determine the correct, legally-binding scope of issued claims based on the "ordinary and customary meaning." This inquiry considers all relevant intrinsic and extrinsic evidence—including the clarifying and narrowing responses to an examiner's rejections. The PTO's use of the BRI standard, by contrast, may ignore relevant evidence in the prosecution history and can mean the invalidation of issued patents that the applicant deliberately narrowed to avoid distinguishable prior art. This unexpected outcome unfairly deprives patent owners of the benefit of their bargain, defeats the intent of Congress, and threatens to impede the rate of innovation by individuals, universities, and large and small businesses alike. Congress created IPRs as expeditious, cost-effective alternatives to litigation, not as vehicles for the PTO to subject previously-issued patents to a tougher patent validity standard than would any court.

The PTO's primary justification for the BRI Rule has been the agency's long history of applying BRI in patent office ***examination*** proceedings, such as original examination, reexamination, and reissue. This incongruous reasoning underscores the weakness of the Government's position. The PTO's

historical examination practices, including its use of BRI, do not justify the use of the BRI Rule in these new and different ***adjudicatory*** proceedings that have no prior precedent in PTO proceedings. Through the AIA, Congress intended for the PTO to break away from its prior examinational proceedings by creating new trial-like proceedings to adjudicate the validity of issued claims.

The PTO's decision to give issued claims their "broadest reasonable interpretation" in post-issuance proceedings is contrary to the AIA and sound patent policy. Congress did not establish IPRs as an extension of patent examination or reexamination. In examination proceedings, it is appropriate for examiners to apply the "broadest reasonable interpretation" to claims because the proceedings involve a back-and-forth dialogue with the examiner in which applicants have the right to amend their claims in response to examiner rejections, along with the ability to make statements that clarify or narrow the claim scope. By contrast, Congress established the new post-issuance proceedings as adjudicative proceedings, to take place in a "court-like setting," H.R. Rep. No. 112-98, pt. 1, at 68, where the use of a broadest reasonable interpretation standard has never been condoned.

Consistent with this vision of post-grant proceedings as adjudicative rather than examinational, Congress restricted the patentee's ability to present new claims in these proceedings. A patentee is given no ***right*** to amend any claim in the course of the proceeding. Instead, a patentee is given the opportunity—in a single motion—to cancel

a challenged claim and then and, having done so, to ***propose*** a "reasonable number" of substitute claims. Whether the PTO allows any such amendment is left to its discretion.

In its divided decision below, the Federal Circuit panel erroneously interpreted the AIA as permitting the PTO to construe the claims of issued patents more broadly than the PTO and patent owner intended at the time of their original grants—and more broadly than any court would allow. Finding no express justification in the statutory language or legislative history, the panel held that Congress somehow "implicitly" approved the broadest reasonable interpretation standard in passing the AIA. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278 (Fed. Cir. 2015).

The panel majority erred in holding that Congress implicitly ratified BRI for use in such proceedings. The statute's express provisions and legislative history show that Congress intended to create an Article I adjudicatory proceeding within the PTO as an efficient alternative to Article III litigation of patent validity challenges. Indeed, the AIA expressly permits the PTO to consider "statements of the patent owner ... in which the patent owner took a position on the scope of any claim" in order to "determine the proper meaning of a patent claim" in post-grant proceedings. 35 U.S.C. § 301(a)(2) & § 301(d). By contrast, there is nothing in the statute or its legislative history showing, expressly or impliedly, that Congress intended to give challengers the ability to invalidate patents based on artificially broad claim scope.

The Federal Circuit panel's conclusion that, with the enactment of the AIA, Congress gave the PTO, for the first time, substantive rulemaking authority was also error. Moreover, the BRI Rule is unreasonable because it ignores the clear purpose of the AIA: to convert certain ***examinational*** proceedings into ***adjudicative*** proceedings.

The effect of the BRI Rule is to deprive patent owners of valuable property rights, create uncertainty, and invite gamesmanship. Introducing unpredictability into the meaning (and therefore value) of a patent is costly to the inventive community and discourages both innovation and investment. This Court should correct the Federal Circuit's misinterpretation of the AIA as to this issue of fundamental importance to the patent system.

ARGUMENT

I. The BRI Rule is Inconsistent with the Language of AIA and its Legislative History.

A. Congress Created a New Adjudicative Proceeding to Determine the Validity of Granted Patent Claims.

When it enacted the AIA, Congress created new adjudicative proceedings to litigate the validity of issued patents. The AIA's text and legislative history confirm that these court-like, streamlined proceedings should apply district court *Phillips* claim construction rules that have long applied to issued patents. *See generally Phillips.* Congress never intended that IPR proceedings would abandon the *Phillips* claim construction standard, under which

the legally correct meaning of a claim is determined, in favor of the artificially broad construction the PTO historically has used in its examination of pending claims and in reexamination.

The panel erroneously concluded that because "the broadest reasonable interpretation standard has been applied by the PTO ... for more than 100 years in various types of PTO proceedings," 793 F.3d at 1276, Congress "impliedly approved" the use of the BRI standard. The panel then erred in reasoning that the absence of an explicit statement from Congress that *Phillips* claim construction standards should apply to post-issuance proceedings amounted to an implicit endorsement of the BRI Rule.

These conclusions are unfounded. As dissenting Judge Newman explained, "the question before this court is not whether to 'eliminate' BRI, but whether to impose it on issued patents, where it has not previously reposed." *Id.* at 1306. Congress made no explicit reference to any claim construction standard applicable to AIA post-issuance proceedings. Its silence does not support "inferring" that Congress intended to adopt the use of BRI—a standard that no federal court has applied to adjudicate an issued patent's claims. *See, e.g.*, *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 160 (2000) ("Congress could not have intended to delegate a decision of such ... significance to an agency in so cryptic a fashion.").

As pointed out in the joint dissent from the denial of rehearing below, "our background of existing law not only fails to support the conclusion

drawn by the panel majority, it points to the ***opposite*** result." *Cuozzo*, 793 F.3d at 1300 (emphasis in original). The well-settled law governing actual meaning of ***issued*** patents (of which Congress was well-aware at the time it enacted the AIA), the historical basis for using the BRI standard in examination and reexamination proceedings, and the legislative history of the AIA all point to the panel majority's error.

The claims of an issued patent define the invention's metes and bounds. 35 U.S.C. § 112(b). It is the job of the courts to interpret the claims and determine the scope of patented inventions as part of the infringement and validity analysis. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (*en banc*) *aff'd* 517 U.S. 370 (1996). To determine this "ordinary and customary" meaning, courts begin with intrinsic evidence: the claims, specification and prosecution history. *Phillips*, 415 F.3d at 1313. Intrinsic evidence is critical because it "constitute[s] the public record of the patentee's claim, a record on which the public is entitled to rely." *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996). The specification is relevant to determine whether the inventor has used any claim terms in a manner inconsistent with their ordinary meaning. *Id.* Likewise, the prosecution history provides guidance as to the scope of the claims because it contains:

> the complete record of all the proceedings before the Patent and Trademark Office, including any express representations made by the

> applicant regarding the scope of the claims. As such, the record before the Patent and Trademark Office is often of critical significance in determining the meaning of the claims.... Included within an analysis of the file history may be an examination of the prior art cited therein.

Id. at 1582-83 (citing *Graham v. John Deere*, 383 U.S. 1, 33 (1966)). For decades, this body of intrinsic evidence has served as the primary record by which courts adjudicating patent validity and infringement have determined the "ordinary and customary" meaning of patent claims. *Phillips*, 415 F.3d at 1313. In addition to considering the intrinsic evidence, courts can also look to extrinsic evidence to elucidate further the meaning of claim terms. *See Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015); *id.* at 837 (noting that "extrinsic evidence may help to 'establish a usage of trade or locality'" (citation omitted)).

By contrast, the PTO historically has used the BRI standard to consider pending patent claims in examination or unexpired issued claims in reexamination. This examination protocol gives claims "their broadest reasonable interpretation consistent with the specification" but does not consider the full range of intrinsic and extrinsic evidence used by district courts to determine the actual meaning of the claims. *Manual of Patent Examining Procedure* ("MPEP"), § 2111; *see also, e.g, In re ICON Health & Fitness*, 496 F.3d 1374, 1379 (Fed. Cir. 2007) (stating that under the BRI

standard "we look to the specification to see if it provides a definition for claim terms, but otherwise apply a broad interpretation"). Under the BRI standard, the PTO has traditionally construed claims without reference to the prosecution history. *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989) (stating that "[d]uring patent examination the pending claims must be interpreted as broadly as their terms reasonably allow" in contrast to district court where "claims of issued patent interpreted in light of specification, prosecution history, prior art, and other claims"); *see also In re Suitco Surface, Inc.*, 603 F.3d 1255, 1259 (Fed. Cir. 2010) (PTO applying BRI must give patent claims their "broadest reasonable construction consistent with the specification").[4] The PTO also uses BRI in most

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[4] Compounding the problems associated with the BRI Rule, the PTAB in practice has been inconsistent in its use of BRI. Although the BRI rule does not require it, some PTAB panels have nonetheless considered the prosecution history of a patent in IPR proceedings, and the Federal Circuit has recently indicated some acceptance of this practice. *See, e.g.*, *TriVascular, Inc. v. Samuels*, No. 2015-1631, 2016 U.S. App. LEXIS 1949, at *7 (Fed. Cir. Feb. 5, 2016) ("Under a broadest reasonable interpretation, words of the claim must be given their plain meaning, unless such meaning is inconsistent with the specification and prosecution history."), *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015) ("The PTO should also consult the patent's prosecution history in proceedings in which the patent has been brought back to the agency for a second review.").

This approach is contrary to the very definition of BRI in the MPEP. MPEP § 2111 ("Patented claims are not given the broadest reasonable interpretation during court proceedings ... [where they] can be interpreted based on a fully developed

reissue, ex parte, and inter partes reexamination proceedings, in which it examines claims in the same manner as claims in pending patent applications.[5]

The goals underlying claim construction in patent examination and in district court litigation are materially different. BRI is "an administrative tool used by the PTO upon initial consideration of claims, aimed at 'fashion[ing] claims that are precise, clear, correct, and unambiguous,' a goal much to be desired." *Flo Healthcare Solutions, LLC v. Kappos*, 697 F.3d 1367, 1378-1379 (Fed. Cir. 2012) (internal citations omitted). Later, when an issue of claim scope arises in a district court infringement litigation, "the search is for the one 'correct' interpretation that reflects those qualities." *Id.* at

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prosecution record. In contrast, an examiner must construe claim terms in the broadest reasonable manner during prosecution as is reasonably allowed in an effort to establish a clear record of what applicant intends to claim."). This inconsistent and sometimes arbitrary approach adds to the unpredictability surrounding the meaning of issued patent claims, to the detriment of patent owners, the inventing community, and the public, undermining confidence in the patent system as a whole.

[5] The PTO's justification for using BRI in examination and reexamination is the patentee's ability to amend freely. *In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969) ("[C]laims yet unpatented are to be given the broadest reasonable interpretation consistent with the specification during the examination of a patent application since the applicant may then amend his claims, the thought being to reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified.").

1379. With the creation of IPR proceedings, Congress intended to provide a less expensive and less time-consuming forum in which to adjudicate the validity of the personal property rights of patent owners. It did not intend that the PTO would adjudicate issued patents using a standard that no court in this country had ever applied to the adjudication of an issued patent in decades of patent jurisprudence, unfairly tipping the balance toward a finding of invalidity.

B. Congress Recognized the Distinction Between a Continued Examination Procedure and an Adjudicative Proceeding.

The legislative history of the AIA shows that Congress did not intend to create an incongruous double standard for determining validity in the PTO and the courts. Rather, the House Report repeatedly refers to the new post-issuance proceedings as adjudicative proceedings, designed to provide speedier and cheaper procedures for resolving invalidity challenges that previously could be heard only in district courts. The House Report draws a sharp distinction between PTO examination proceedings and adjudicative proceedings: "[t]he Act ***converts*** inter partes reexamination from an examinational to ***an adjudicative proceeding***, and renames the proceeding 'inter partes review.'" H.R. Rep. No. 112-98, pt. 1, at 46-47 (emphasis added).

In 1999, Congress created inter partes reexaminations[6] as an avenue for ongoing third-party participation in reexamination proceedings as part of the American Inventors Protection Act of 1999, Pub. L. No. 106-113, §§ 4001-4808, 113 Stat. 1501, 1501A-552 to -591. With the addition of the inter partes reexamination proceeding, the patentee or a third party could "obtain review and if necessary correction of the claims resulting from the initial examination of the patent." *Bloom Eng'g Co. v. North Am. Mfg. Co.*, 129 F.3d 1247, 1249 (Fed. Cir. 1997). In both types of reexamination proceedings, the patent owner was allowed to "propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art." 35 U.S.C. § 305. Although inter partes proceedings permitted third-party involvement in reexaminations, they took on average about three years to complete and were costly. USPTO, *Inter Partes Reexamination Statistics* (Sept. 2014), available at http://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up_EOY2014.pdf.

IPRs and the other new post-issuance proceedings represented a dramatic break from prior PTO examination proceedings, including inter partes reexaminations, which had proven unwieldy and

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[6] Ex parte reexamination permits a challenger to bring prior art to the attention of the examiner, but the challenger is not thereafter permitted to participate in the procedure, which is conducted according to those established for initial examination. 35 U.S.C. § 305.

ineffective. 157 Cong. Rec. S5326 (daily ed. Sept. 9, 2011) (statement by Sen. Leahy) ("The current inter partes reexamination process has been criticized for being too easy to initiate and used to harass legitimate patent owners, while being too lengthy and unwieldy to actually serve as an alternative to litigation when users are confronted with patents of dubious validity."); 157 Cong. Rec. S1041 (daily ed. March 1, 2011) (statement by Sen. Kyl) ("Senators Feingold and Coburn and I also recommended that the Patent Office be allowed to operate inter partes reexamination as an adjudicative proceeding, where the burden of proof is on the challenger.... The present bill makes this change, repealing requirements that inter partes be run on an examinational model and allowing the PTO to adopt an adjudicative model.").

As the House Report explained, the AIA would "[e]stablish a new procedure, known as post-grant review, to review the validity of a patent. This option .... would take place in a ***court-like proceeding***...." H.R. Rep. No. 112-98, pt. 1 at 68 (emphasis added); *see also id.* at 75 (describing PGR and IPR as "***adjudicative systems***") (emphasis added). The legislative history clearly shows Congress' intent to create adjudicative proceedings that, to assess the validity of patents, would use the same legal framework as Article III courts use to adjudicate issued patents. There is no indication that Congress intended to create new and fundamentally different substantive standards for assessing patent validity when patents are adjudicated in the PTO's Article I courts.

Indeed, even the PTO has recognized that IPRs are fundamentally litigation proceedings. *E.g.*, *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013–00191, Paper 50, at 4 (PTAB Feb. 13, 2014) (stating that "[a]n inter partes review is neither a patent examination nor a patent reexamination. Rather, it is a trial, adjudicatory in nature and constitutes litigation."). In response to the AIA's requirement that IPRs and PGRs be heard by three-judge panels of the Patent Trial and Appeal Board ("PTAB"), 35 U.S.C. § 6(c), the PTO published a "Trial Practice Guide" setting forth rules for what it called post-grant "trial proceedings before the Board." 77 Fed. Reg. 48756, 48756 available at: http://www.uspto.gov/sites/default/files/ip/boards/bpai/trial_practice_guide_74_fr_48756_081412.pdf. The PTO also established pretrial and trial procedures, including initial disclosures and e-discovery, scheduling orders, cross-examination of live witnesses, motions to exclude evidence, and oral argument. *Id.* To conduct the new trials, the PTO quickly began hiring additional administrative patent judges, more than doubling their number in four years. Patent Public Advisory Committee Quarterly Meeting, *Patent Trial and Appeal Board Update*, http://www.uspto.gov/sites/default/files/about/advisory/ppac/20140814_PPAC_PTABUpdate.pdf at 32.

In its brief opposing certiorari, the Government acknowledged the AIA's emphasis on court-like proceedings, but argued that the PTO has employed the BRI standard with court approval in inter partes reexamination and ex parte reexamination proceedings. Gov't Br. at 12-13. This

argument has little bearing here precisely because the AIA sought to "convert" inter partes reexamination proceedings into "adjudicative" IPRs. H.R. Rep. No. 112-98, pt. 1, at 46. The Government's argument fails to appreciate that the AIA directed the PTO ***not*** to continue business as usual, but to create new, court-like proceedings to adjudicate the validity of issued patent claims.

The Government also attempts to justify the BRI Rule on the basis that the PTO has discretion to consolidate a reexamination and an IPR (Gov't Br. at 13-14). *See* 35 U.S.C. § 315(d) ("during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for ... consolidation...."). The Government then asserts that because of this theoretical possibility of consolidation, it is more efficient to apply a single BRI claim construction standard in both types of proceedings. Gov't Br. at 14-15.

This argument is misplaced. The AIA gave the PTO ***discretion*** as to whether to consolidate proceedings involving a given patent. Nothing in the AIA requires the PTO to consolidate proceedings in which patent claims are construed differently. If the application of different claim constructions would be problematic, the PTO, in its discretion, is free not to consolidate. In practice, the PTAB typically denies motions to consolidate precisely because it makes little sense to treat examinational and adjudicative proceedings in the same manner. It has denied a

motion to consolidate on the ground that "an ex parte reexamination proceeding is quite different from an ***inter partes*** review," in that "[a]n ***inter partes*** review ... is adjudicatory in nature, and constitutes a proceeding that is different from examination." *Ford Motor Co. v. Signal IP, Inc.*, IPR 2015-00860, Paper 14, at 3-4 (PTAB Nov. 17, 2015) (holding that "although the Board has the authority to consolidate a reexamination proceeding and an inter partes review, there is an inherent tension in attempting to unify proceedings that ... are intended to be distinct in type from one another"). Moreover, the Government sets forth no reason why, in such a hypothetical consolidated IPR proceeding, the PTAB could not apply *Phillips* as the governing claim construction standard.

Finally, while the harm associated with having inconsistent constructions of issued claims in litigation and the new PTO adjudicative proceedings is real and serious, any harm from the application of different claim construction standards in consolidated IPR and examinational proceedings is largely hypothetical and entirely avoidable. PTO consolidation is relatively unusual, whereas at least 80% of the PTO's post-grant proceedings involve a related, concurrent district court case.[7] J. Steven Baughman, et al., *Coordinating PTAB and District Court Litigation*, Prac. L.J., Dec. 2014/Jan. 2015, at 34, 36. Since the district courts are bound to apply

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[7] In contrast, the Government offers no statistics to support its purported concerns about inconsistencies with other proceedings in the PTO.

the *Phillips* claim construction standard rather than the BRI standard, the clash of competing standards is unavoidable.

C. AIA Post-Issuance Proceedings Provide Patent Owners No Meaningful Opportunity to Amend Patent Claims.

The panel below and the Government in its opposition to certiorari (Gov't Br. at 12) rely on a patentee's theoretical ability to amend claims during an IPR to justify the application of the BRI Rule. *See* Gov't Br. at 12 (arguing that the "applicability [of BRI] turn[s] on whether ...the language of the patent claim is still subject to amendment"). This argument is a red-herring. The strict statutory limitations on amendments in post-issuance proceedings underscore that these proceedings are not examinational in nature.

First, in contrast to examination procedures, the AIA does not confer upon the patentee any ***right*** to amend claims in post-grant proceedings. Rather, under § 316(d), the patentee is entitled only to file a ***motion*** to cancel a challenged claim or to propose a substitute claim. 35 U.S.C. § 316(d). There is no requirement that the PTO allow such a motion—in contrast to the continuing right of a patentee to amend any or all claims in examination and reexamination proceedings, upon which the Federal Circuit relied in upholding the use of BRI there. *See In re Yamamoto*, 740 F.2d 1569, 1571-72 (Fed. Cir. 1984) ("An applicant's ability to amend his claims to avoid cited prior art distinguishes proceedings before

the PTO from proceedings in federal district courts on issued patents.").

Not only does the AIA leave motions to amend solely within the discretion of the PTAB, but the PTO's regulations further restrict their availability. For example, the PTO requires a patent owner to confer with the Board prior to filing a motion to amend claims, 37 C.F.R. § 42.121(a), and that motion must "be filed no later than the filing of a patent owner response." 37 C.F.R. § 42.121(a)(1). The burden is on the patent owner to show that each proposed substitute claim is patentably distinct over the prior art and also to identify prior art known to the patent owner. 37 C.F.R. § 42.20(c); *Idle Free Sys., Inc. v. Bergstrom, Inc.*, IPR2012-00027, Paper 26, at 7 (PTAB June 11, 2013).[8] A patent owner moving to amend claims must address the specific technical disclosure of the closest prior art known to the patent owner. *Id.* at 7. These arduous restrictions make claim amendment unlikely, further evidencing PTO's recognition that AIA proceedings are adjudicatory, not examinational.

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[8] The PTAB's decision in *Idle Free* outlines the Board's requirements for a motion to amend and has been designated as "informative" concerning Board norms for motions to amend. *See Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1304 (Fed. Cir. 2015). The decision acknowledges that the restrictions on amending claims reflect the fact that "[a]n inter partes review is more adjudicatory than examinational, in nature... If a patent owner desires a complete remodeling of its claim structure according to a different strategy, it may do so in another type of proceeding before the Office." *Idle Free*, IPR2012-00027, Paper 26, at 6.

PTAB statistics confirm that the PTO has denied almost all motions to amend in IPRs. As of October 2015, the PTAB had allowed just six motions to amend in IPR proceedings. Matt Cutler, *3 Years Of IPR: A Look At The Stats*, Law360 (last visited Feb. 4, 2016), http://www.law360.com/articles/699867/3-years-of-ipr-a-look-at-the-stats. Other statistics suggest that only about 6% of such motions to amend are granted. *See* Fitzpatrick, Cella Harper & Scinto, *Just The Stats: IPR: Decisions On Requests To Amend The Claims*, http://www.postgranthq.com/statistics/ipr-decisions-on-requests-to-amend-the-claims/. The statistics confirm the bottom line: motions to amend are unavailable in practice. The PTO cannot rely on such an illusory avenue for amendment to justify its application of the BRI Rule in these proceedings.

Indeed, the PTO's most recent proposed rule changes and accompanying commentary underscore that the limited ability to amend claims cannot justify the BRI Rule. In response to public comment that motions to amend should be "liberally allowed" in IPRs, the PTO highlighted the critical differences between the post-grant proceedings created by statute and other types of PTO examinational proceedings that freely permit amendments. The PTO stated that it would not adopt the suggested changes because "by statute, motions to amend cannot be entered in the same way as amendments that are entered during prosecution...." PTO Proposed Rules, 80 Fed. Reg. No. 161, 50720, 50724.

The PTO further acknowledged the critical differences in the amendment process in examination

proceedings—where BRI has long been used—and AIA post-issuance proceedings:

> AIA proceedings are neither ex parte patent prosecution nor patent reexamination or reissue. The Board does not conduct a prior art search to evaluate the patentability of the proposed substitute claims.... If a motion to amend is granted, the substitute claims become part of an issued patent, without any further examination by the Office. Because of this constraint, the Office has set forth rules for motions to amend that account for the absence of an independent examination by the Office where a prior art search is performed as would be done during prosecution, reexamination, or reissue.

Id. The PTO's defense of the many limitations on amending claims in IPRs confirms that post-issuance proceedings bear no resemblance to examination, reissue or reexamination proceedings.

D. The Provisions of the AIA Confirm that Congress Did Not "Ratify" the BRI Standard.

With regard to statutory interpretation, the panel majority had it backwards. In fact, the statutory language only confirms Congress' understanding that the *Phillips* claim construction standard would be used by the PTO in post-issuance

proceedings. Reflecting Congress' vision of IPRs as adjudicative proceedings, the AIA mandates discovery, experts, and the parties' rights to a hearing and final written decision. 35 U.S.C. §§ 316, 318. The AIA also places the burden of proof on the petitioner, just as the patent challenger bears the burden of proof in district court. *Id.* §§ 316(e).

Other provisions of the AIA confirm that Congress intended the PTO to apply *Phillips* claim construction to determine the legally correct meaning of the claims. Section 325(d) authorizes the PTO Director to consider the patent's prosecution history (including statements made by the patentee) in deciding to institute a proceeding. 35 U.S.C. § 325(d). The AIA also authorizes the PTO to consider "statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent" in construing claims during an AIA post-grant proceeding. *Id.* §§ 301(a)(2) & (d). Congress indicated that the PTO fully and freely consider the prosecution history and all statements made in related proceedings. Had Congress intended that the PTO apply BRI, these statutory provisions would have made no sense.

With respect to claim amendments, Congress created a material difference between (i) initial examination and reexamination, which permit multiple rounds of iterative claim amendments, and (ii) adjudicative proceedings, which do not. As noted above, under the AIA, the patentee does not have the liberal right —or any right—to amend patent claims in post-issuance proceedings. *See id.*, § 316(d).

Indeed, Congress eliminated inter partes reexamination because it had proved impractical to incorporate adversarial participation into a procedure allowing the patentee multiple claim amendments. H.R. Rep. 112-98, pt. 1, at 45-46.

II. The PTO's Promulgation of the BRI Rule is Invalid.

A. The AIA Does Not Give the PTO Substantive Rulemaking Authority.

The Federal Circuit also erred in concluding that Congress granted authority to the PTO to adopt a rule that would alter the standard used to determine the scope of issued patents when assessing their validity in post-grant proceedings. Changing the applicable standard would amount to substantive rulemaking authority, yet nothing in the AIA confers such authority on the PTO.

Congress has never extended substantive rulemaking authority to the PTO. Prior to the AIA's enactment, the PTO's existing authority was limited to promulgating procedural rules governing the conduct of examination proceedings under Section 2(b)(2)(A). 35 U.S.C. § 2(b)(2)(A). Consistent with that limited procedural rulemaking authority, § 316 of the AIA merely directs the PTO to promulgate regulations "establishing and governing" IPRs "and the relationship of such review to other proceedings under this title," 35 U.S.C. § 316(a)(4). No language in the AIA authorizes the PTO to promulgate rules that alter the substantive rights conferred by the grant of a patent, including authority to invalidate

issued patent claims by applying an artificially broad claim scope.[9]

Section 316 specifically identifies regulations the PTO was to promulgate, such as regulations providing for public access to the file of the proceeding in certain proscribed circumstances; establishing standards for the discovery of relevant evidence, "including that such discovery shall be limited" in certain proscribed ways; and providing either party the right to an oral hearing. *Id.* § 316(a)(5). The House Report's discussion of § 316(a) does not suggest any grant of rulemaking authority beyond what is expressly identified in that provision. *See* H.R. Rep. No. 112-98, pt. 1, at 76.

The BRI Rule is plainly a substantive rule, and therefore it is beyond the rulemaking authority of the PTO. *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008) (stating "[a] rule is 'substantive' when it 'effects a change in existing law or policy' which 'affect[s] individual rights and obligations.'"). A broad standard for claim

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[9] The absence of any language in the AIA expanding the PTO's narrow rulemaking authority contrasts with the broad, express authority Congress has granted to other agencies. When Congress intends to delegate rulemaking authority, it makes that purpose clear. *See, e.g.*, 38 U.S.C. § 501 (Secretary of Veterans Affairs authorized to prescribe "all rules and regulations which are necessary or appropriate to carry out the laws administered by the Department..."); 5 U.S.C. § 8347(a) (Office of Personnel Management has authority to prescribe "such regulations as are necessary and proper to carry out [the Civil Service Retirement Act]").

construction can be outcome determinative as to the validity of a patent, which is "personal property" of the patent owner. 35 U.S.C. § 261. Indeed, the Federal Circuit recently affirmed the PTO's invalidation of patent claims under the BRI Rule in light of the prior art, while explaining that the panel would have reached a different conclusion had the *Phillips* standard applied. *PPC Broadband, Inc. v. Corning Optical Comm'ns. RF, LLC*, Nos. 2015-1361, 2015-1366, 2015-1368, 2015-1369, 2016 U.S. App. LEXIS 3022, at *10-12 (Fed. Cir. Feb. 22, 2016). (explaining that "[t]his case hinges on the claim construction standard applied—a scenario likely to arise with frequency."). Permitting the PTO to construe claims in a post-issuance adjudicative proceeding more broadly than would a court or the ITC will, in many instances, take legitimate, government-granted property rights from the patent owner. That is the epitome of substantive rulemaking.

In promulgating the substantive BRI Rule, the PTO has sought to vastly expand its authority over patent owners' property rights by fundamentally changing the way issued patents are interpreted, despite the lack of any indication in the AIA that Congress so intended. *Util. Air Regulatory Group v. EPA*, 134 S. Ct. 2427, 2444 (2014) (finding agency's interpretation of statute was "unreasonable because it would bring about an enormous and transformative expansion in [the agency]'s regulatory authority without clear congressional authorization"). The PTO's unwarranted application of BRI to issued patents undermines the property rights of patentees, improperly expanding the

universe of invalidating prior art and ignoring the patentee's efforts during prosecution to obtain narrower claim scope to avoid the prior art. The BRI Rule far exceeds the scope of the PTO's rulemaking authority conferred by Congress.

B. The BRI Rule is Not a Reasonable Interpretation of the AIA.

The BRI Rule is simply not a reasonable interpretation of the AIA and for that independent reason, it is invalid. *See Michigan v. EPA*, 135 S. Ct. 2699, 2706 (2015). The PTO "must operate within the bounds of reasonable interpretation" of the AIA. *Util. Air*, 134 S. Ct. at 2442. An agency's interpretation "must account for both the specific context in which ... language is used" in the AIA and "the broader context of the statute as a whole." *Id.* (citation omitted). It has not done so here. The PTO's adoption of the BRI Rule ignores the clear purpose of the AIA to create an alternative form of ***adjudicative*** proceeding. It also ignores the limited and largely illusory nature of motions to amend claims in IPR proceedings. In promulgating the BRI Rule, the PTO abandoned its obligation to "examine the relevant data and articulate a satisfactory explanation for its action." *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983). An agency may not "fail[] to consider an important aspect of the problem" or "offer[] an explanation for its decision that runs counter to the evidence" before it. *Id.* Where, as here, the PTO promulgated a regulation inconsistent with the language and purpose of the governing statute, the regulation is invalid.

As discussed in Section I, *supra*, the BRI Rule is not consistent with the AIA's provisions, legislative history or Congress' intent to create "court-like proceedings" to adjudicate patent validity. H.R. Rep. No. 112-98, pt. 1, at 68. It is a fundamental tenet of patent law that issued claims should be interpreted the same way for purposes of adjudicating their validity and infringement, yet the BRI Rule undermines that principle. *See, e.g.*, *Peters v. Active Mfg. Co.*, 129 U.S. 530, 537 (1889) ("[t]hat which infringes, if later, would anticipate, if earlier"); *White v. Dunbar*, 119 U.S. 47, 51 (1886) (a patent claim is not "a nose of wax which may be turned and twisted in any direction"). There is no reasonable basis to conclude that Congress intended that the scope of an issued patent would be interpreted one way by courts in an infringement case and in a different way by the PTO in an IPR. Nor is there any reasonable basis to conclude that Congress intended the PTO to ignore the effort and expense invested by the patent applicant and the PTO during the original examination of a patent involved in an IPR proceeding—an approach that ignores where the PTO left off when it determined the patent should be granted.

The BRI Rule is an unreasonable interpretation of the AIA. Nothing in the language or legislative history of the AIA suggests that Congress intended to give the PTO substantive rulemaking authority or to create post-issuance review proceedings that violate fundamental principles of patent law and tilt the playing field against patent owners.

III. The Federal Circuit's Decision Permitting Conflicting Claim Construction Standards in Different Adjudicative Tribunals Undermines Sound Patent Policy.

The Federal Circuit's decision invites inconsistency and unpredictability in the meaning and value of issued patents. Use of the BRI Rule in post-issuance proceedings threatens the integrity of the patent system at the expense of public resources and public confidence.

Application of the BRI Rule is undermining the public's confidence in our patent system. The PTO has received 4,376 petitions for AIA post-grant review as of December 31, 2015, and the number of petitions is growing.[10] The scope and meaning of challenged claims is a central issue in most, if not all, of these proceedings. Thus far, the invalidity rates resulting from these IPR proceedings are far higher than those in the courts.[11] As a result, patent

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[10] *See* USPTO, *Patent Trial and Appeal Board Statistics*, http://www.uspto.gov/sites/default/files/documents/2015-12-1%20PTAB.pdf.

[11] *Compare A.* Simpson & H. Lee, *PTAB Kill Rates: How IPRs Are Affecting Patents*, available at http://www.law360.com/articles/699860/ptab-kill-rates-how-iprs-are-affecting-patents (stating that 88% of final decisions resulted in invalidation of at least one claim) *with* PricewaterhouseCoopers, "2013 Patent Litigation Study: Big cases make headlines, while patent cases proliferate," at 9, available at http://www.pwc.com/en_US/us/forensic-services/publications/assets/ 2013-patent-litigation-study.pdf (indicating that patent holder succeeded in about 63 percent of bench-tried cases and 77 percent of jury-tried cases).

owners are now seeing their personal property rights, established at the time of patent allowance, being taken away by the PTO in situations where they would have been sustained by the courts. Congress intended IPR proceedings to be efficient alternatives to litigation, but Congress never intended to upend the carefully-crafted bargains between inventors and the Government by enacting such a fundamental change in patent policy.

By broadly interpreting the scope of claims of issued patents, potentially untethered to statements made by the patentee during prosecution intended to narrow claim scope and overcome prior art, the BRI Rule creates unnecessary uncertainty as to claim scope. It also undermines the public notice function of the patent's prosecution history, which historically has provided the public important information about the scope and meaning of issued claims.[12] Uncertainty as to the scope of claims is costly to the inventive community and discourages innovation.

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[12] It is highly inefficient for PTAB panels to ignore the prosecution history reflecting months or years of work undertaken by patent examiners and applicants during the original examination to distinguish prior art and clarify claim scope—producing results inconsistent with the outcome a court would reach based on the prosecution history under *Phillips*. The development of the examination record represents a substantial investment of resources by the patentee and the PTO. The average patent prosecution consumes 27.4 months. USPTO, *Performance and Accountability Report 2014*, http://www.uspto.gov/about/stratplan/ar/USPTOFY2014PAR.pdf. Typical charges for preparing and filing an original application range from $7,622 to $11,944. Am. Intellectual Prop. Law Ass'n, *Report of the Economic Survey* I-90-91 (2015).

Indeed, this Court in *Markman* explained that "uniformity in the [claim construction] of a given patent" was critical in order to avoid a "zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims [that] would discourage invention only a little less than unequivocal foreclosure of the field." 517 U.S. at 390; *see also General Elec. Co. v. Wabash Appliance Corp.*, 304 U. S. 364, 369 (1938) ("The limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others and the assurance that the subject of the patent will be dedicated ultimately to the public."). Such uncertainty adversely affects patent licensing, design-around, and other critical business decisions, contrary to the goals of the AIA.

Uncertainty over the scope of claims encourages unnecessary challenges to legitimate patent rights and increases patent costs. Claims that would be upheld under judicial claim construction rules could be invalidated when subjected to an overly broad reading under the BRI Rule. *See PPC Broadband*, 2016 U.S. App. LEXIS 3022 at *9-13. This is unfair to patent owners and an open invitation to gamesmanship. Moreover, the application of different standards in PTO and district court proceedings means that each proceeding's claim construction has no estoppel

effect for subsequent proceedings, further encouraging manipulation and abuse.[13]

The inconsistent results arising from application of the BRI Rule create a strong incentive for parties to challenge patent validity in post-issuance proceedings while patentees seek to enforce the same patent in district court. The BRI Rule exacerbates the problem by creating an avenue for inconsistent treatment of patents. Indeed, former PTO Director David Kappos testified to the House Judiciary Committee that "having the USPTO apply a different standard than the courts is leading, and will continue to lead, to conflicting decisions." *Innovation Act: Hearing on H.R. 3309 Before the H. Comm. On the Judiciary*, 113th Cong. 39-46 (2013) (statement of David J. Kappos, Partner, Cravath, Swaine & Moore LLP).

The need for uniformity, as between post-issuance adjudicative proceedings in the PTO on the one hand, and district court and ITC proceedings on the other, is all the more acute due to the large number of AIA post-issuance proceedings filed annually. In November 2015, the PTO reported on its Patent Trial and Appeal Board's ("PTAB") caseload as compared to the caseloads of federal district courts:

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[13] No other country's patent protection regime applies different standards for construing the meaning of claims in different adjudicative proceedings.

> The PTAB received 1,902 petitions from September 30, 2014 to September 30, 2015; in all of FY 2015, 2,127 complaints were filed in the Eastern District of Texas, 559 in the District of Delaware, 247 in the Central District of California, and 155 in the [N]orthern District of California. The number of PTAB filings in FY 2015 thus puts the PTAB ahead of all but one of the federal district courts in terms of patent disputes that they are handling.

USPTO, *Patent Public Advisory Committee 2015 Annual Report*, 49, (Nov. 2, 2015), http://www.uspto.gov/sites/default/files/documents/PPAC_2015_Annual_Report.pdf.

The rate of post-issuance filings in these proceedings has continued to increase in each year since their creation. On September 30, 2015, the PTO reported that 1,897 filings have been made in fiscal 2015, significantly exceeding last year's total. USPTO, *Patent Trial and Appeal Board Statistics* (Sept. 30, 2015), http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf. Many, if not most, of these patents are the subject of concurrent litigation. One study has found that 86.8% of patents in IPR or CBM proceedings are also in federal district court litigation. *See, e.g.*, Saurabh Vishnubhakat et al., Strategic Decision Making In Dual PTAB And District Court Proceedings (Feb. 16, 2016), available at http://assets.law360news.com/0758000/758761/ssrn-id2731002.pdf.

Lastly, the PTO's BRI Rule will impose significant burdens on the judiciary when the Federal Circuit faces multiple appeals involving differing constructions of the same claims by the PTAB and a district court. Such discrepancies will pose challenges for effective appellate review. *E.g.*, *PPC Broadband*, 2016 U.S. App. LEXIS 3022 at *9-13. Simultaneous review of discordant PTAB and district court claim constructions threatens to undermine the goal of uniformity that the Federal Circuit was created to achieve. "The crying need for definitive, uniform, judicial interpretation of the national law of patents, on which our citizens may rely and plan with some certainty, has been recognized for over 60 years." *Court of Appeals for the Federal Circuit–1981: Hearings on H.R. 2405 Before the Subcomm. on Courts, Civil Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 97th Cong. 42–43 (1981) (statement of the Hon. Howard T. Markey, C.J., Court of Customs and Patent Appeals).

In sum, the PTO's use of the BRI Rule in AIA post-issuance proceedings not only contravenes Congress' intent in creating an efficient adjudicatory alternative to district court litigation, it also threatens fundamental tenets of our patent system: that the "ordinary and customary meaning" of an issued patent's claims defines the invention's metes and bounds, and that the "claims are construed the same way for both invalidity and infringement." *Source Search Techs., LLC.* v. *LendingTree, LLC*, 588 F.3d 1063, 1075 (Fed. Cir. 2009). The Federal Circuit's endorsement of the BRI Rule to determine the validity of issued patents

upsets the "carefully crafted bargain" between patentees and the Government, and will only discourage U.S. businesses from creating and commercializing innovative new technologies.

CONCLUSION

Amici respectfully submit that the Court should reverse the Federal Circuit's decision and invalidate the BRI Rule as inconsistent with the AIA.

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No. 15-446

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

—v—

MICHELLE K. LEE, Under Secretary of Commerce for Intellectual Property and Director, United States Patent and Trademark Office,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF AMICUS CURIAE TRADING TECHNOLOGIES INTERNATIONAL, INC. IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES ii

STATEMENT OF INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 2

ARGUMENT 3

I. THE STATUTE DOES NOT PERMIT APPEAL OF THE PARTICULAR TYPE OF INSTITUTION DECISION FOR WHICH CUOZZO SEEKS REVIEW AND THE FEDERAL CIRCUIT HAS NOT RENDERED CONTRADICTORY DECISIONS ON THIS ISSUE 3

II. THE CONCERNS RAISED BY CUOZZO SHOULD BE ADDRESSED BY CONGRESS AND THE USPTO 5

CONCLUSION 6

TABLE OF AUTHORITIES

Page

CASES

Versata Dev. Group, Inc. v. SAP Am., Inc.,
793 F.3d 1306 (Fed. Cir. 2015) 4, 5

STATUTES

35 U.S.C. § 314(d) 4

America Invents Act ("AIA") 2

AIA, § 18 ..... 2, 4, 6

STATEMENT OF INTEREST OF *AMICUS CURIAE* [1]

Amicus curiae Trading Technologies International, Inc. ("TT"), founded in 1994, makes trading software and execution solutions for professional traders. TT's software is purchased by premier investment banks, brokers, Futures Commission Merchants, hedge funds, proprietary trading firms, and other trading institutions and is used each day by thousands of traders to access dozens of electronic exchanges around the world. TT employs over 300 people worldwide, mostly at its Chicago headquarters. TT invests heavily in research and development and has obtained patents covering various features of its products. TT relies on its patents to protect its investments in research and development. Therefore, TT has an interest in ensuring a strong U.S. patent system, including clear and efficient post-grant review proceedings before the U.S. Patent & Trademark Office ("USPTO").

Cuozzo Speed Technologies, LLC ("Cuozzo") has petitioned this Court to review the Federal Circuit's

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[1] Pursuant to Supreme Court Rule 37.2(a), notice of *amicus curiae's* intent to file this brief was received by counsel of record for all parties at least 10 days prior to the due date of this brief and all parties consent to the filing of this *amicus curiae* brief. The undersigned further affirms that no counsel for a party authored this brief in whole or in part, and no person or entity, other than *amicus curiae*, its members, or its counsel, made a monetary contribution specifically for the preparation or submission of this brief.

first pronouncement on its inability to review certain aspects of decisions to institute *inter partes* review ("IPR") proceedings as established by Congress in 2011 as part of the America Invents Act ("AIA"). As a patent owner, TT would benefit from a system allowing review of all aspects of decisions to institute post-grant review proceedings as well as review of final decisions on the merits. Nevertheless, because this is not the system that Congress created, TT requests that this Court deny this petition.

SUMMARY OF ARGUMENT

The Court should not grant Cuozzo's Petition with respect to the second question presented because the Federal Circuit properly followed the statute, refusing to reconsider the USPTO Patent Trial and Appeal Board ("PTAB") decision to institute an IPR proceeding on Cuozzo's patent. Cuozzo seeks to appeal a discretionary aspect of the PTAB's decision to institute. In particular, Cuozzo complains that the PTAB instituted on grounds not contained in the petition requesting the IPR proceeding. Under the statute, this decision cannot be appealed. Importantly, Cuozzo is not arguing that its patent falls outside the jurisdiction of the IPR statute. Accordingly, Cuozzo's suggestion of a split at the Federal Circuit is unfounded. The decision cited by Cuozzo is not in conflict because it dealt with an appeal of whether a patent fell within the threshold jurisdictional scope of Section 18 (governing covered business method post-grant reviews), not with

discretionary issues of the sort that Cuozzo seeks to appeal. The Federal Circuit correctly distinguished such threshold jurisdictional issues from discretionary issues because they go to the USPTO's underlying authority to invalidate a patent under the statute. As the decision below follows the statute and as there is no split of authority at the Federal Circuit on this issue, Cuozzo's petition for certiorari in this case should not be granted.

ARGUMENT

I. THE STATUTE DOES NOT PERMIT APPEAL OF THE PARTICULAR TYPE OF INSTITUTION DECISION FOR WHICH CUOZZO SEEKS REVIEW AND THE FEDERAL CIRCUIT HAS NOT RENDERED CONTRADICTORY DECISIONS ON THIS ISSUE

Cuozzo presents two questions for review by this Court. The second question asks this Court to consider whether the Federal Circuit erred in holding that a decision by the PTAB to institute an IPR proceeding is judicially unreviewable.[2] In particular, Cuozzo seeks to appeal the PTAB's exercise of its discretion to institute because Cuozzo claims that the PTAB improperly instituted based on grounds that were not argued in the IPR petition. There is no dispute that the Cuozzo patent is within the jurisdictional reach of the relevant IPR statute.

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[2] TT takes no position with regard to the first question presented in Cuozzo's petition.

Cuozzo merely complains that the standards for institution were not met. However, the statute does not permit such an issue to be appealed. 35 U.S.C. § 314(d) ("*No appeal.* – The determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable.").

Petitioner incorrectly suggests that the Federal Circuit's decisions on the issue have been contradictory. To support this argument, Cuozzo cites to the *Versata Dev. Group, Inc. v. SAP Am., Inc.* decision. However, that decision is not inconsistent with the decision reached here. The *Versata* decision was not related to the PTAB's discretion to institute an IPR proceeding for a patent that falls within the jurisdictional reach of the relevant post-grant review statute, and therefore is not relevant to this case.

Versata properly permitted a patent owner to appeal a PTAB decision based on the PTAB acting outside of its statutory "authority to invalidate." Specifically, the *Versata* decision permitted an appeal of the threshold question of whether a patent qualifies as a covered business method ("CBM") under Section 18 of the AIA (creating CBM post-grant reviews for certain patents). The Federal Circuit explained that, because Section 18 post-grant reviews are limited by statute to only CBM patents, the determination whether a patent qualifies as a CBM patent, including whether it falls within the "technological invention" exception to the definition of CBMs under the statute, is available for appellate review. *Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1319-23 (Fed. Cir. 2015). Such

determinations go beyond the discretionary decision whether to institute a proceeding, and instead go to the PTAB's authority to invalidate in the first place. In other words, the Federal Circuit permitted appeal of a threshold jurisdictional issue because, if the PTAB was wrong on that issue, the PTAB had no authority under the statute to invalidate. In contrast, the issue Cuozzo seeks to appeal relates to the PTAB's discretion in a case where it indisputably had the authority to invalidate. Accordingly, there is no split at the Federal Circuit, and an appropriate line has been drawn as to what aspects of PTAB institution decisions are appealable.

II. THE CONCERNS RAISED BY CUOZZO SHOULD BE ADDRESSED BY CONGRESS AND THE USPTO

Petitioner accompanied its request for Supreme Court review with alarming statistics regarding the new IPR proceedings, including the nearly 85% cancellation rate for some or all claims in patents for which IPR proceedings have been instituted. As a patent owner itself, TT is certainly concerned about these statistics and is sympathetic to Cuozzo's desire to be able to appeal discretionary aspects of the PTAB's institution decisions. However, contrary to threshold jurisdictional-type determinations of the sort at issue in *Versata*, the issue Cuozzo seeks to appeal is the type of determination that Congress made non-appealable. Any change needs to be addressed at the Congressional level. Likewise, changes to how the proceedings operate need to be made by the USPTO and/or Congress.

CONCLUSION

TT urges this Court to not grant Cuozzo's Petition in this case because there has been no inconsistency at the Federal Circuit with regard to its refusing review of the PTAB's institution decisions. The Federal Circuit has correctly distinguished between discretionary institution decisions regarding patents within the jurisdictional scope of the statute and decisions regarding whether the PTAB has authority to invalidate in the first place (such as whether a patent qualifies as a CBM under Section 18). The issue Cuozzo seeks to appeal falls within the former and, therefore, is non-appealable under the statute as it now stands. While Cuozzo may have legitimate complaints about the current law, such issues need to be addressed by Congress.

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NOVEMBER 9, 2015

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No. 15-446

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE PETITIONER

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QUESTIONS PRESENTED

In 2011, Congress enacted the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, which established new post-grant adjudicatory proceedings for challenges to the validity of patents. The Act created a body within the Patent and Trademark Office, called the Patent Trial and Appeal Board (Board), to hear those challenges as a quick and cost-effective alternative to litigation. One of the new types of adjudicative proceedings, inter partes review (IPR), has been both unexpectedly popular and surprisingly lethal. Since the inception of IPR, patent challengers have filed over 3,900 petitions, and nearly 87% of the IPR trials completed to date have resulted in the cancellation of some or all claims in the patent under review.

A primary reason for the high cancellation rate is that, although IPR was expressly designed to be a surrogate for litigation, the Board does not use the same claim construction standard as federal courts. Rather than construe the claim in an issued patent according to its plain and ordinary meaning, as a federal court would be required to do, the Board gives the claim its broadest reasonable interpretation, which is a protocol used by examiners in reviewing patent applications. Of course, the broader the interpretation of the claim, the more extensive the array of relevant prior art—and in turn the more likely that the claim will be held invalid in light of that prior art. Consequently, the Board's broad interpretation allows for differing determinations of validity in IPR proceedings and litigation.

Over a dissent by Judge Newman, a divided panel of the Federal Circuit affirmed the Board's use of the broadest-reasonable-interpretation standard for claim construction in IPR proceedings. The panel majority also held that, even if the Board had exceeded its statutory authority in instituting an IPR proceeding in the first place, the Board's decision to institute was judicially unreviewable. The court of appeals denied rehearing by a vote of 6-5, over a joint dissent by Chief Judge Prost and Judges Newman, Moore, O'Malley, and Reyna, as well as a separate dissent by Judge Newman. The five dissenting judges addressed the merits of, and would have rejected, the Board's claim construction standard.

The questions presented are as follows:

1. Whether the court of appeals erred in holding that, in IPR proceedings, the Board may construe claims in an issued patent according to their broadest reasonable interpretation rather than their plain and ordinary meaning.

2. Whether the court of appeals erred in holding that, even if the Board exceeds its statutory authority in instituting an IPR proceeding, the Board's decision whether to institute an IPR proceeding is judicially unreviewable.

PARTIES TO THE PROCEEDINGS

Petitioner is Cuozzo Speed Technologies, LLC. Respondent is Michelle K. Lee, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, who intervened in the court of appeals to defend the decision of the Patent Trial and Appeal Board after Garmin International, Inc. and Garmin USA, Inc. reached a settlement with petitioner and withdrew from the case.

CORPORATE DISCLOSURE STATEMENT

Petitioner Cuozzo Speed Technologies, LLC has no parent corporation, and no publicly held company owns 10 percent or more of its stock.

TABLE OF CONTENTS

Page

Opinions below 1

Jurisdiction 1

Statutory and regulatory provisions involved 1

Statement 2

A. The America Invents Act 2

B. Proceedings before the Board 6

C. Proceedings before the Federal Circuit 8

Summary of argument 12

Argument 16

I. Congress did not authorize the PTO to depart from the ordinary-meaning standard for adjudicating patent validity. 16

A. Courts and the PTO have long distinguished between patent adjudication and patent examination. 18

1. Adjudication tests validity by using the fixed meaning of legally operative property rights. 18

2. Examination assesses the scope of fluid, changeable patent claims. 21

B. Congress created IPR as a substitute for district court adjudication of patent validity, not as an extension of the examination process 26

1. The AIA's text and structure show that IPR is a surrogate for district court adjudication. 27

2. The AIA's legislative history confirms that IPR is a surrogate for district court adjudication. 31

3. IPR is not a surrogate for litigation when it uses a different claim construction standard that leads to different results 33

II. The PTO's regulation is invalid and not entitled to deference. 35

A. Section 42.100(b) is not a valid exercise of the PTO's rulemaking authority 35

1. The PTO has only procedural rulemaking authority 35

2. The regulation is substantive. 40

B. Section 42.100(b) is plainly unreasonable. 42

III. If the Board exceeds its statutory authority in instituting an IPR proceeding, the Board's unlawful action is reviewable 46

A. The AIA places significant limits on the Board's power to institute IPR proceedings. 46

B. The Board cannot violate those limits with impunity and without judicial oversight. 48

1. Section 314(d) only bars appeal of the Board's institution decision by itself 48

2. The Board's institution decision is reviewable when it plainly violates the AIA 53

IV. The judgment below should be reversed and the case remanded for further proceedings. 54

Conclusion 55

Appendix

28 U.S.C. 1295(a) 1a

35 U.S.C. 2(a)-(b) 4a

35 U.S.C. 6 ..... 6a

35 U.S.C. 112(a)-(b) 8a

35 U.S.C. 132 ..... 8a

35 U.S.C. 134 ..... 9a

35 U.S.C. 141 ..... 9a

35 U.S.C. 251 ..... 11a

35 U.S.C. 301 ..... 12a

35 U.S.C. 302 ..... 13a

35 U.S.C. 303 ..... 14a

35 U.S.C. 304 ..... 15a

35 U.S.C. 305 ..... 15a

35 U.S.C. 314 (repealed) 16a

35 U.S.C. 311 ..... 17a

35 U.S.C. 312 ..... 18a

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TABLE OF AUTHORITIES

Page(s)

Cases

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523 U.S. 224 (1998) 36
Bamberger v. *Cheruvu*,
55 U.S.P.Q.2d 1523 (B.P.A.I. 1998) 25
Baran v. *Medical Device Techs., Inc.*,
519 F Supp. 2d 698 (N.D. Ohio 2007) 40
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98 U.S. 31 (1878) 19

Cases—Continued

Beery v. *Thomson Consumer Electronics, Inc.*,
218 F.R.D. 599 (S.D. Ohio 2003) 40

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76 U.S. 812 (1869) 19

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402 U.S. 313 (1971) 27

Bowen v. *Mich. Acad. of Family Physicians*,
476 U.S. 667 (1987) 53

Bruesewitz v. *Wyeth*,
562 U.S. 223 (2011) 37

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100 U.S. 671 (1879) 19

Cannon v. *Univ. of Chicago*,
441 U.S. 677 (1979) 41

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IPR2013-00540, Paper 78
(P.T.A.B. Mar. 3, 2015) 34

Carr, In re,
297 F. 542 (D.C. Cir. 1924) 21, 22

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402 F.3d 1371 (Fed. Cir. 2005) 21

Cooper Techs. Co. v. *Dudas*,
536 F.3d 1330 (Fed. Cir. 2008) 35, 41

Digital Equip. Corp. v.
Desktop Direct, Inc.,
511 U.S. 863 (1994) 49

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421 U.S. 560 (1975) 53

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CBM2015-00006, Paper 16
(P.T.A.B. Apr. 21, 2015) 48

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No. 2014-1771, 2016 WL 145576
(Fed. Cir. Jan. 13, 2016) 4

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849 F.2d 1422 (Fed. Cir. 1988) 13

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756 F.2d 852 (Fed Cir. 1985) 23

Ford Motor Co. v. *Paice LLC*, IPR2014-00875,
Paper 38, (P.T.A.B. Nov. 23, 2015) 34

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Paper 41 (P.T.A.B. Dec. 10, 2015) 34

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IPR2015-00860, Paper 14
(P.T.A.B. Nov. 17, 2015) 45

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102 U.S. 222 (1880) 19

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IPR2013-00191, Paper 50
(P.T.A.B. Feb. 13, 2014) 26

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IPR2013-00249, Paper 32
(P.T.A.B. Sept. 9, 2014) 33

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82 F.3d 1304 (4th Cir. 1996) 53

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417 F.3d 1241 (Fed. Cir. 2005) 40

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470 U.S. 821 (1985) 51

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150 F.3d 1362 (Fed. Cir. 1998) 51

Cases—Continued

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211 F.3d 1367 (Fed. Cir. 2000) 23, 29
Idle Free Sys., Inc. v. *Bergstrom, Inc.*,
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(P.T.A.B. June 11, 2013) 29
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No. 1:13-cv-00009-RGA (D. Del. Oct. 28, 2014) 34
Key Medical Supply, Inc. v. *Burwell*,
764 F.3d 955 (8th Cir. 2014).....53
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545 F.3d 1340 (Fed. Cir. 2008) 20
Lacavera v. *Dudas*,
441 F.3d 1380 (Fed. Cir. 2006) 41
Leedom v. *Kyne*,
358 U.S. 184 (1958) 53
Mach Mining, LLC v. *EEOC*,
135 S. Ct. 1645 (2015) 53
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517 U.S. 370 (1996) 18, 20
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52 F.3d 967 (Fed. Cir. 1995) 20
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141 U.S. 419 (1891) 44
Merck & Co., Inc. v. *Kessler*,
80 F.3d 1543 (Fed. Cir. 1996) 36, 41
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94 U.S. 568 (1876) 20
MSTG, Inc., In re,
675 F.3d 1337 (Fed. Cir. 2012) 40

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No. 2014-1719, 2016 WL 537609
(Fed. Cir. Feb. 11, 2016) 26, 29

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No. 1:12-cv-00499-MPG,
(D. Md. Oct. 7, 2015) 33

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758 F.2d 594 (Fed. Cir. 1985) 25

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415 F.3d 1303 (Fed. Cir. 2005) 19, 28

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110 F.3d 786 (Fed. Cir. 1997) 50

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749 F.3d 1376 (Fed. Cir. 2014) 52

Rambus, Inc., In re,
753 F.3d 1253 (Fed. Cir. 2014) 24

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83 F.3d 1394 (Fed. Cir. 1996) 51

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670 F.2d 1015 (C.C.P.A. 1981) 25

Skvorecz, In re,
580 F.3d 1262 (Fed. Cir. 2009) 21, 26

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Helena Labs. Corp.,
859 F.2d 878 (Fed. Cir. 1988) 43

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327 U.S. 358 (1946) 54

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Volcano Corp.,
749 F.3d 1373 (Fed. Cir. 2014) 52

Cases—Continued

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431 F.2d 539 (5th Cir. 1970) 43

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366 F.3d 1325 (Fed. Cir. 2004) 35, 41

Teva Pharms. USA, Inc. v. *Sandoz, Inc.*,
135 S.Ct. 831 (2015) 18

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VDO N. Am., L.L.C.,
375 F.3d 1126 (Fed. Cir. 2004) 18

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No. 3:13-cv-00346-BBC,
(W.D. Wisc. Oct. 23, 2014) 34

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134 S. Ct. 2427 (2014) 42

Versata Dev. Grp., Inc. v. *SAP Am., Inc.*,
793 F.3d 1306 (Fed. Cir. 2015) 50, 53

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90 F.3d 1576 (Fed. Cir. 1996) 18, 20

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119 U.S. 47 (1886) 20, 43

Whitserve, LLC v. *Computer Packages, Inc.*,
694 F.3d 10 (Fed. Cir. 2012) 33

Yamamoto, In re,
740 F.2d 1569 (Fed. Cir. 1984) 22, 23, 29

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555 U.S. 353 (2009) 37

Zletz, In re,
893 F.2d 319 (Fed. Cir. 1989) 22

ZTE Corp. v. *IPR Licensing, Inc.*,
IPR2014-00525, Paper 48
(P.T.A.B. Sept. 14, 2015) 34

Statutes and Regulations

5 U.S.C. 701(a)(2) 51
19 U.S.C. 1337 20
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America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) ..... *passim*
Patent Act, 35 U.S.C. 1 *et seq.*
2(b)(2)(A) 35, 38
6 ..... 3, 28
103 ..... 4, 7, 33
112(b) 18, 43
132 22
141(c) 6, 30, 49
251(a) 25
301(d) 28
302 23
303 ..... 23, 50
304 23
305 23
311(a) 4
311(b) 4, 33
312(a)(3) 4, 7, 15, 46, 47
313 ..... 4, 47
314 (2010) 25
314(a) ..... *passim*
314(b) 4
314(d) ..... *passim*
315 31
316 ..... *passim*
318 ..... 4, 6, 27
319 49
321-329 3

Statutes and Regulations—Continued

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37 C.F.R.
1.111 22
1.176 25
1.530(j) 24
1.550 23
1.937 25
42.23 ..... 5, 27
42.24 ..... 5, 27
42.51 ..... 5, 27
42.52 ..... 5, 27
42.53 ..... 5, 27
42.70 ..... 5, 27
42.100(b) ..... *passim*
42.100(c) 6, 49
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42.108 ..... 4, 15
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BRIEF FOR THE PETITIONER

OPINIONS BELOW

The amended opinion of the court of appeals on rehearing (Pet. App. 1a-47a) is reported at 793 F.3d 1268. The opinions respecting the court's denial of rehearing en banc (Pet. App. 50a-67a) are reported at 793 F.3d 1297. The original opinion of the court of appeals (Pet. App. 68a-108a) is reported at 778 F.3d 1271. The final decision of the Patent Trial and Appeal Board (Pet. App. 109a-167a) is reported at 108 U.S.P.Q.2d 1852. The decision of the Patent Trial and Appeal Board to initiate trial for inter partes review (Pet. App. 168a-198a) is not reported but is available at 2013 WL 5947691.

JURISDICTION

The court of appeals entered its original judgment on February 4, 2015. The court of appeals issued an amended opinion, and denied the petition for rehearing (Pet. App. 48a-49a), on July 8, 2015. The petition for a writ of certiorari was filed on October 6, 2015, and granted on January 15, 2016. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

STATUTORY AND REGULATORY PROVISIONS INVOLVED

The relevant statutory and regulatory provisions are set forth in the appendix to the petition, see Pet. App. 199a-223a, and in the appendix to this brief, see App., *infra*, 1a-37a.

STATEMENT

A. The America Invents Act

1. In the early 2000s, commentators criticized the Patent and Trademark Office (PTO) for issuing too many patents that were likely to be invalidated upon review. See, *e.g.*, Mark A. Lemley & Bhaven Sampat, *Is the Patent Office a Rubber Stamp?*, 58 Emory L.J. 181, 181 (2008). Congress became increasingly concerned that these patents were creating uncertainty in the marketplace, increasing costly litigation, and impeding innovation. See Pet. App. 32a-33a (Newman, J., dissenting).

Parties also lacked an efficient way to challenge a patent's validity. A challenger could submit a request for inter partes reexamination to the PTO. Such proceedings were relatively infrequent, however, because patent owners could freely amend and strengthen their claims in an iterative process with a patent examiner, challengers were limited in any subsequent litigation, and the reexaminations themselves could be costly and time-consuming. See Pet. App. 54a (joint dissent of Prost, C.J., and Newman, Moore, O'Malley, Reyna, JJ.); H.R. Rep. No. 112–98, at 45–46 (2011); Michael J. Mauriel, *Patent Reexamination's Problem: The Power to Amend*, 46 Duke L.J. 135, 137 (Oct. 1996). Challengers instead typically brought or responded to litigation, but that also was often expensive and slow. Pet. App. 54a; *id.* at 32a-33a (Newman, J., dissenting).

To address those issues, after six years of hearings and wide collaboration with stakeholders, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), with the goal of improving the quality of patents, and reducing un-

necessary litigation costs. See H.R. Rep. No. 112-98, at 39-40. The cornerstone of the Act is its creation of a new adjudicatory proceeding before the PTO to decide the validity of issued patents. The new proceeding—inter partes review or IPR—was created to "provide a reliable early decision, by technology-trained patent-savvy adjudicators, with economies of time and cost." Pet. App. 33a (Newman, J., dissenting).

The AIA replaced the former system of inter partes reexamination with this new adjudicatory proceeding. See H.R. Rep. No. 112–98, at 46-47 ("The Act converts inter partes reexamination from an examinational to an adjudicative proceeding, and renames the proceeding 'inter partes review.'"). The AIA also formed a body within the PTO, the Patent Trial and Appeal Board, to adjudicate challenges to patent validity. 35 U.S.C. 6. The Board is comprised of specially trained administrative patent judges, not patent examiners. Congress's goal was to create "a completely new type of PTO proceeding," Pet. App. 54a (joint dissent)—specifically, an "adversarial evidentiary proceeding" that could "reliably resolve most issues of patent validity, without the expense and delay of district court litigation," *id.* at 32a (Newman, J., dissenting).[1]

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[1] In the AIA, Congress created three new administrative proceedings in which the Board adjudicates challenges to the validity of issued patents: inter partes review (which is at issue in this case); post-grant review; and transitional post-grant review, also known as "covered business method" or "CBM" review. See 35 U.S.C. 311-319, 321-329; AIA 18(a)-(d), 125 Stat. at 329-331. Post-grant review is available to challenge issued patents during the first nine months after issuance or re-issuance (whereas IPR governs patents outside the nine-month window). See 35 U.S.C. 321(c). CBM review (which

2. Under the new IPR system, a person other than the patentee initiates a challenge to the validity of an issued patent by filing a petition with the PTO, and the Board adjudicates validity based on the parties' arguments rather than conducting its own examination. 35 U.S.C. 311(a), 318(a). The petitioner may challenge patent claims "only on a ground that could be raised under [S]ection 102 [novelty] or 103 [obviousness] and only on the basis of prior art consisting of patents or printed publications." 35 U.S.C. 311(b). The petition must identify with particularity "the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." 35 U.S.C. 312(a)(3). The patentee then has "the right to file a preliminary response to the petition * * * that sets forth reasons why no inter partes review should be instituted." 35 U.S.C. 313.

Within three months after the patentee's preliminary response is due, a panel of three judges of the Board must decide whether to institute IPR. 35 U.S.C. 314(b); 37 C.F.R. 42.108.[2] Congress authorized the Board to institute IPR only upon "deter-

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sunsets in 2020) allows challenges to patents covering a financial product or service by those who have been sued or charged with infringement. See AIA 18(a)-(d), 125 Stat. at 329-331.

[2] The AIA actually charges the Director of the PTO with deciding whether to institute IPR and the Board with adjudicating the ensuing trials. The Director, however, has delegated institution authority to the Board, meaning that there is no independent check within the agency on the Board's authority over the entire IPR process. The PTO typically assigns the institution decision and the final decision to the same panel. The Federal Circuit recently approved that practice. See *Ethicon Endo-Surgery, Inc.* v. *Covidien LP*, No. 2014-1771, 2016 WL 145576, at *1 (Fed. Cir. Jan. 13, 2016).

min[ing] that the information presented in the petition * * * and any response * * * shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C. 314(a). The Board's decision whether to institute IPR is "final and nonappealable." 35 U.S.C. 314(d).

If the panel decides to institute IPR, the case proceeds to discovery and trial. IPR litigation is similar to district court litigation in many respects. The petitioner and patentee exchange initial disclosures. 37 C.F.R. 42.51. The parties may then seek discovery of relevant evidence, including depositions of the other side's declarants. 35 U.S.C. 316(a)(5); 37 C.F.R. 42.51-42.53. The parties brief issues related to the validity of the patent claims at issue, 35 U.S.C. 316(a)(8); 37 C.F.R. 42.23-42.24, 42.120, and then either party may request oral argument before the Board, 35 U.S.C. 316(a)(10); 37 C.F.R. 42.70.

Unlike the former system of inter partes reexamination, inter partes review is not an examinational process. Patent examiners guided by the Manual of Patent Examining Procedure (PTO Manual) play no role, and the Board is not authorized to perform an examinational review, such as searching the prior art or formulating grounds of rejection. In addition, unlike the liberal right to amend claims and iterative back-and-forth between patent owner and examiner in inter partes reexamination, IPR allows the patentee to make a single motion to amend, but only after first conferring with the Board. See 35 U.S.C. 316(d)(1); 37 C.F.R. 42.121(a). The motion is presumptively limited to substituting one amended claim for each challenged claim, and the motion may be denied for various reasons, including if the amendment "does not re-

spond to a ground of unpatentability involved in the trial" or "seeks to enlarge the scope of the claims of the patent or introduce new subject matter." 37 C.F.R. 42.121(a). Unlike examinational proceedings, the single permitted motion must be made before the Board has finally construed the claim, before any rejection of the claim, and without the benefit of either communications with an examiner or any reasoned rejection that an examiner would provide the patentee.

Following the parties' evidentiary presentations and trial before the three-judge panel, the Board must "issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added" by amendment. 35 U.S.C. 318(a). The entire IPR, including the Board's final decision, must be completed swiftly: within one year from the date of institution, absent an extension for good cause. 35 U.S.C. 316(a)(11); 37 C.F.R. 42.100(c). Any party to the IPR "who is dissatisfied with the final written decision * * * may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit." 35 U.S.C. 141(c).

B. Proceedings Before The Board

1. Petitioner Cuozzo Speed Technologies, LLC (Cuozzo) was granted a patent on an invention that alerts drivers when they are speeding without the need to search for and read speed-limit signs. The invention integrates a GPS unit and an in-vehicle display to provide a visual indication to the driver when he is exceeding the speed limit at the vehicle's present location. Cuozzo's patent claims thus cover "a speed-

ometer integrally attached to [a] colored display." Pet. App. 3a.

In September 2012, Garmin International, Inc. and Garmin USA, Inc. (collectively, Garmin) filed an IPR petition challenging, *inter alia*, claims 10, 14, and 17 of the Cuozzo patent. A three-judge panel of the Board denied all "grounds on which the challenge to [claims 10 and 14 were] based," 35 U.S.C. 312(a)(3), but the Board applied to those claims combinations of prior art cited by Garmin with respect to claim 17. Pet. App. 188a, 192a-193a. The Board then instituted IPR for all three claims, determining there was a reasonable likelihood that all of the claims were obvious. *Id.* at 196a-197a. Cuozzo had no notice that the Board would apply grounds asserted for invalidity of claim 17 to claims 10 and 14, and did not file a preliminary response to the petition.

2. In November 2013, following discovery, briefing, and argument, the same panel issued a final written decision invalidating claims 10, 14, and 17 as obvious under 35 U.S.C. 103. Pet. App. 109a-167a. The Board explained that "[a]n appropriate construction of the [claim] term 'integrally attached' * * * is central to the patentability analysis." *Id.* at 116a. Rejecting Cuozzo's construction of the ordinary meaning of the claim term "integrally attached," the Board gave the term its "broadest reasonable construction." *Id.* at 117a-120a. Using that construction, the Board found that claims 10, 14, and 17 were obvious based on the same combinations of prior art on which it had relied in instituting review. *Id.* at 166a. Cuozzo appealed to the Federal Circuit, and although Cuozzo and Garmin reached a settlement, the PTO intervened to defend the Board's decision.

C. Proceedings Before The Federal Circuit

1. Over a vigorous dissent by Judge Newman, the panel majority affirmed the Board's decision in its entirety. Pet. App. 1a-47a.[3]

a. The panel majority first held that the Board's decision to institute IPR was judicially unreviewable. Pet. App. 7a. The panel majority acknowledged Cuozzo's argument that, for claims 10 and 14, "the PTO relied on prior art that Garmin did not identify in its petition as grounds for IPR as to those two claims." *Id.* at 6a. The panel majority also acknowledged that the PTO may institute IPR only if the Board "determines that the information presented in the petition * * * and any response * * * shows that there is a reasonable likelihood that the petitioner would prevail." *Ibid.* (quoting 35 U.S.C. 314(a)). The panel majority nevertheless held that judicial review was barred by the AIA, which provides that the decision "whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. 314(d). In the panel majority's view, Section 314(d) bars review even if the Board acts *ultra vires* by instituting IPR on grounds and evidence that are not identified with particularity in the petition. Pet. App. 7a.

b. Turning to the merits, the panel majority held that the Board had permissibly adopted the broadest-reasonable-interpretation standard for claim construction in IPR. Pet. App. 11a-21a. The panel majority observed that the BRI standard "has been ap-

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[3] On rehearing, the panel majority and Judge Newman withdrew their original opinions, see Pet. App. 68a-108a, and issued amended opinions with substantial revisions, see *id.* at 1a-47a. This brief refers to those amended opinions.

plied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings." *Id.* at 13a. Based on that history, the panel majority concluded that when Congress created the new system of IPR, it "impliedly approved the existing rule" for use in IPR, notwithstanding Congress's intent to replace inter partes reexamination with court-like adjudication and the material differences between IPR and earlier types of PTO proceedings. *Id.* at 15a.

In the alternative, the panel majority held that even if Congress had not intended claims to be given their broadest reasonable interpretation, the PTO's regulation adopting that standard in IPR is a valid exercise of the agency's rulemaking authority and entitled to *Chevron* deference. Pet. App. 18a-21a. According to the panel majority, although the PTO does not have the "power to interpret substantive statutory 'patentability' standards," and granting such authority would be "a radical change in the authority historically conferred on the PTO by Congress," the PTO has the authority to "embod[y] in a regulation the approach it has uniformly applied, even without rulemaking, when it is interpreting 'claims' to assess patentability." *Id.* at 20a.

c. Judge Newman dissented. Pet. App. 30a-47a. In her view, the Act "plainly contemplated that the new PTO tribunal would determine [the] validity of issued patents on the legally and factually correct claim construction, not on a hypothetical 'broadest' expedient as is used in examination of proposed claims in pending applications." *Id.* at 34a. Congress expressly created IPR, Judge Newman explained, to serve as an adjudicatory "surrogate for district court litigation of patent validity," and it therefore is inconsistent with both the AIA and the sensible develop-

ment of patent law to have different claim construction standards for agency and court proceedings. *Id.* at 30a-31a. Judge Newman further explained that the PTO lacks substantive rulemaking authority, but in any event she would not have deferred to the PTO regulation because it defeats Congress's purpose of "substituting administrative adjudication for district court adjudication." *Id.* at 45a.

As to the Board's decision to institute IPR, Judge Newman noted that the Board had violated the plain terms of the AIA by relying "on arguments and evidence that had not been raised in the Petition to Institute, although the statute requires that all arguments and evidence must be presented in the Petition." Pet. App. 31a. Criticizing the panel majority's "casual disregard of this statutory provision" and citing the presumption in favor of reviewability of agency action, Judge Newman concluded that Section 314(d) was intended to "control interlocutory delay" and does not preclude review of whether the Board exceeded its statutory authority. *Id.* at 31a, 46a.

2. Cuozzo filed a petition for rehearing en banc supported by numerous amici recognized as leaders in the field of intellectual property. Over a joint dissent by Chief Judge Prost and Judges Newman, Moore, O'Malley, and Reyna, as well as a separate dissent by Judge Newman, the court of appeals denied rehearing by a vote of 6-5. In addition to urging rehearing, the dissenting judges would have rejected the Board's use of the BRI protocol.

a. Judge Dyk (who authored the panel majority's decision), joined by Judges Lourie, Chen, and Hughes, concurred in the denial of rehearing. Pet. App. 51a-52a. The concurrence reiterated the panel majority's reasoning that "[t]he PTO has applied the

broadest reasonable interpretation standard in a variety of proceedings for more than a century," and "[n]othing in the [AIA] indicates congressional intent to change" that standard. *Id.* at 51a.

b. Chief Judge Prost and Judges Newman, Moore, O'Malley, and Reyna jointly dissented from the denial of rehearing. Pet. App. 52a-61a. The joint dissent began by taking issue with the conclusion that Congress had "implicitly approved" the BRI standard. *Id.* at 53a (quoting *id.* at 18a). The joint dissent explained that the AIA created "a wholly novel procedure" and Congress's "[s]ilence has no meaning in this context." *Id.* at 54a. To the contrary, Congress wanted a "court-like proceeding" as "a far-reaching surrogate for district court validity determinations," *ibid.* (internal quotation marks omitted), and "[t]he panel majority fails to explain why Congress (or anyone else) would have thought it desirable or necessary for the Board to construe the claims during IPRs under a different legal framework than the one used by district courts," *id.* at 54a-55a.

The joint dissent also explained that "[the] background of existing law not only fails to support the conclusion drawn by the panel majority, [but] it points to the *opposite* result." Pet. App. 55a (emphasis in original). Previous cases hold that "the broadest reasonable interpretation standard is a useful tool, *prior* to patent issuance, for clarifying the metes and bounds of an invention during the back-and-forth between the applicant and examiner when claims are not yet in their final form." *Ibid.* (collecting cases; emphasis in original). By contrast, IPR proceedings are like district court litigation: "there is no back-and-forth between the patentee and examiner seeking to resolve claim scope ambiguity; there is no robust

right to amend." *Id.* at 57a. IPR proceedings thus lack the "examinational hallmarks" justifying the BRI standard in other contexts. *Ibid.*

Finally, the joint dissent disagreed that the PTO's regulation is entitled to deference. Pet. App. 59a-61a. The joint dissent observed that the PTO has statutory authority "to prescribe *procedural* regulations" governing IPR proceedings—not "to prescribe regulations on any issue that 'affects' decisions to institute or later proceedings." *Id.* at 59a-60a (emphasis in original). And even assuming the regulation is procedural, the joint dissent reasoned that "deference is still not warranted" because "the PTO's regulation [is] unreasonable." *Id.* at 60a. The joint dissent concluded that "in IPRs, as in district court litigation, an already issued claim is being analyzed solely for the purposes of determining its validity," and "it makes little sense to evaluate the claim against the prior art based on anything [other] than the claim's actual meaning." *Id.* at 61a.

c. Judge Newman separately dissented from the denial of rehearing for substantially the same reasons as her panel dissent—namely, that the Board's standard is illogical and contrary to the AIA. Pet. App. 61a-67a.

SUMMARY OF ARGUMENT

I. A. The panel majority incorrectly held that Congress implicitly approved use of the BRI protocol in IPR. Courts and the International Trade Commission (ITC) have long assessed patent validity by giving claims their actual meaning, thereby evaluating the claims based on what the PTO actually issued and what the patentee owns. Although the PTO has long given claims their broadest reasonable interpretation

in *examinational* proceedings, it has done so to assess and, if necessary, adjust the scope of such claims, which are treated as fluid and amendable at the will of the applicant. In all of the proceedings where the PTO uses the BRI protocol—initial examinations, reexaminations of unexpired patents, reissues, and interferences—applicants may amend their claims as part of an iterative exchange with the examiner. The BRI protocol is used before the patent issues to ensure claim language is precise; use of that protocol in post-issuance IPR reintroduces needless ambiguity in determining validity.

B. In the AIA, Congress recognized that inter partes reexamination did not provide an efficient alternative to litigation for challenges to patent validity. Congress therefore created an entirely new system: inter partes review, or IPR. The Act's text, structure, and history all make clear that IPR is a first-of-its-kind adjudicatory proceeding within the agency. The parties engage in discovery, briefing, and argument before a three-judge panel, which is authorized to cancel the challenged claims based on the parties' arguments. Examiners do not play any role, there is no iterative process to arrive at patentable claim language, and the patentee has exceedingly limited ability to amend any rejected claim. IPR is thus exactly what Congress said it is: a substitute for district court and ITC litigation. Using a different claim construction standard in IPR from district courts and the ITC is fundamentally at odds with Congress's scheme.

The Board's use of the BRI protocol in IPR defeats Congress's aim of substituting administrative adjudication for district court adjudication, because it leads to "different results" than the ordinary-meaning construction used by courts. *Ethicon Inc.* v. *Quigg*,

849 F.2d 1422, 1428 (Fed. Cir. 1988). Because of the use of the BRI protocol, patented inventions have been given different meanings before the Board and district courts, and indeed the same claim in the same patent has been declared not invalid in district court but declared invalid by the Board based on the same prior art. Such "different results" harm the integrity of the patent system and discourage investment in innovation when the same invention is upheld in one forum only to be canceled in another.

II. A. In the alternative, the panel majority incorrectly deferred to the PTO's regulation adopting the "broadest reasonable construction" in IPR. 37 C.F.R. 42.100(b). That regulation is not a valid exercise of the PTO's rulemaking authority, because the agency lacks the power to promulgate substantive rules and Section 42.100(b) undeniably concerns a matter of substantive rights. The standard used in construing claims measures the scope of the patent owner's property right. It therefore ignores reality to say that the regulation does not effect a change in individual rights.

B. Even if the PTO has the authority to promulgate substantive rules, Section 42.100(b) is not entitled to deference because it is a manifestly unreasonable interpretation of the AIA. Most obviously, it defeats Congress's aim of substituting administrative adjudication for district court adjudication. The regulation promotes an alternative forum that is not a substitute for litigation and actually proliferates rather than reduces costly litigation. It also allows the meaning of a patent claim to change depending on the inquiry at issue (validity or infringement) and the chosen forum (the agency, district court, or the ITC).

III. A. The AIA places strict limits on the Board's authority to institute IPR proceedings. As relevant here, the Board may institute IPR of all or only some of the challenged claims, but it must do so on the basis of the specific challenges set forth in the IPR petition with respect to each claim. See 35 U.S.C. 312(a)(3); 37 C.F.R. 42.108. Here, the Government correctly has not attempted to argue that the Board respected that limit on its authority. See Br. in Opp. 17-22. The Board took combinations of prior art cited by Garmin with respect to claim 17 of Cuozzo's patent and applied them to claims 10 and 14. By doing so, the Board defeated Cuozzo's option to respond to the actual art cited against the challenged claim and made it impossible for the Board—as it must—to consider the patentee's response to the petitioner's particularized showing. See 35 U.S.C. 314(a). The Board itself has recognized that it may not select its own combinations of prior art in deciding whether to institute IPR.

B. The Government argues instead that the Board's unlawful action is unreviewable under 35 U.S.C. 314(d), which provides that the Board's decision whether to institute IPR is "final and nonappealable." But Section 314(d) bars only an appeal of the Board's institution decision when issued. A bar on interlocutory appeals makes sense because the Board is normally required to complete the IPR proceeding within one year. The AIA separately provides for appeal of the Board's final decision, and—as the Government previously argued—nothing should prevent a party from raising errors committed at earlier stages of the IPR. Certainly Section 314(d) can and should be interpreted that way in light of the strong presumption favoring judicial review of *ultra vires* agency action. At a minimum, Section 314(d) may not bar

appeals that the Board plainly ignored unambiguous statutory limits on its institution authority.

IV This Court should reverse the judgment below and remand the case to the Board for application of the correct ordinary-meaning standard. The Court also should make clear that the Board's institution decision will be reviewable in future proceedings on remand. At a minimum, the Court should reverse and remand for the Federal Circuit to determine whether the Board exceeded its statutory authority.

ARGUMENT

The panel majority provided two rationales for allowing the PTO to use a different claim construction standard in IPR than is used in federal courts and the ITC: Congress impliedly adopted the BRI standard, and even if it did not, the PTO's regulation adopting the standard is valid and entitled to deference. Neither of those rationales is correct. The panel majority compounded its error by holding that, even if the Board never had the authority to institute IPR in the first place, the Board's unlawful action is not judicially reviewable. The net result is an agency with a blank check to eliminate valid property rights without meaningful oversight from the Federal Circuit.

I. CONGRESS DID NOT AUTHORIZE THE PTO TO DEPART FROM THE ORDINARY-MEANING STANDARD FOR ADJUDICATING PATENT VALIDITY.

At the time Congress enacted the AIA, there were two distinct ways to challenge a patent: bring suit in district court (or respond to a complaint or petition in the ITC), or request reexamination by the PTO. Those were and still are fundamentally different pro-

ceedings with different purposes and rules. Litigation is *adjudicatory*: it evaluates the actual, ordinary meaning of an issued patent claim, which is a fixed property right. That is what the patentee was granted, what the patentee may claim in an infringement action, and what the public has notice of. By contrast, reexamination is, as its name says, *examinational*: it reassesses the scope of the patent claim, which is treated as fluid and changeable. The claim is given its broadest reasonable interpretation as part of a back-and-forth exchange between the patentee and examiner to make the claim language clear and guard against a later overbroad construction.

The question here is whether Congress meant IPR to explore and clarify claim language (*i.e.*, to be examinational) or to test whether the actual claims as issued are valid against a defined set of prior art (adjudicatory). The answer is obviously the latter. Congress repeatedly noted that reexamination did not meet its intended purpose, and it designed IPR to meet that purpose: a quicker and cheaper substitute for litigation. In IPR, panels of experienced patent judges oversee discovery, receive briefing and expert analyses, hear oral argument, and issue written decisions—all so that they may determine validity based on what claims *actually* mean, not what they hypothetically *might* mean under someone's idea of a claim's "broadest reasonable" construction. The PTO has never come to grips with the text, structure, and legislative history of the AIA, all of which show that Congress intended IPR proceedings to function as a surrogate for litigation, not as a process that reaches different validity determinations from courts for the same invention. Instead the PTO has fallen back on its familiar BRI protocol, but that protocol is wholly

out of place in the newly created adjudicatory context of IPR.

A. Courts and the PTO have long distinguished between patent adjudication and patent examination.

1. Adjudication tests validity by using the fixed meaning of legally operative property rights.

a. The Patent Act requires that every patent "conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention." 35 U.S.C. 112(b). The claims define the invention and mark the scope of the patent owner's right to exclude. See *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996) (A claim is that "portion of the patent document that defines the scope of the patentee's rights."). Claim construction is thus critical to patent law. Defining the scope of the invention plays an important role in virtually every case because it is the first step in evaluating validity and infringement. See *TI Grp. Auto. Sys. (N. Am.), Inc.* v. *VDO N. Am., L.L.C.*, 375 F.3d 1126, 1139 (Fed. Cir. 2004); *Vitronics Corp.* v. *Conceptronic, Inc.*, 90 F.3d 1576, 1581-1582 (Fed. Cir. 1996).

b. As this Court explained last Term, "a judge, in construing a patent claim, is engaged in much the same task as the judge would be in construing other written instruments, such as deeds, contracts, or tariffs." *Teva Pharms. USA, Inc.* v. *Sandoz, Inc.*, 135 S.Ct. 831, 837 (2015). Namely, the court applies the usual rules of construction in order to ascertain the true meaning of the words in the document, albeit through the eyes of one of ordinary skill in the art.

See *Goodyear Dental Vulcanite Co.* v. *Davis*, 102 U.S. 222, 227 (1880) ("[A] patent, like any other written instrument, is to be interpreted by its own terms."); *Bates* v. *Coe*, 98 U.S. 31, 38 (1878) ("[T]he claims of the patent, like other provisions in writing, must be reasonably construed * * * in ascertaining the true intent and meaning of the language employed in the claims."). Accordingly, courts have long construed the claims of a patent according to their "ordinary meaning * * * as understood by a person of skill in the art" at the time of the invention. *Phillips* v. *AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (en banc).[4]

In construing patent claims, courts should "be careful not to enlarge, by construction, the claim which the Patent Office has admitted, and which the patentee has acquiesced in, beyond the fair interpretation of its terms." *Burns* v. *Meyer*, 100 U.S. 671, 672 (1879). First, it is part of the basic bargain of patent law. "A patentee discloses his invention to the public in exchange for a limited monopoly, as defined by the claims of the patent. To invalidate those claims using a different standard than one that considers the true meaning and scope of a claim would violate the bargain the patentee struck with the public." Pet. App. 56a (joint dissent); see *id.* at 65a (Newman, J.,

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[4] In construing a patent claim, the court asks what the ordinary meaning of the claim would be to a person skilled in the art rather than one unskilled. See *Bischoff* v. *Wethered*, 76 U.S. 812, 815 (1869). That principle is "based on the well-settled understanding that inventors are typically persons skilled in the field of the invention and that patents are addressed to and intended to be read by others of skill in the pertinent art." *Phillips*, 415 F.3d at 1313. But whether the court asks what the claim terms mean to a skilled artisan or a layperson, the court's task remains to give the words their ordinary meaning to a particular audience.

dissenting). It would be "unjust to the public, as well as an evasion of the law, to construe [a patent claim] in a manner different from the plain import of its terms." *White* v. *Dunbar*, 119 U.S. 47, 52 (1886).

Second, when a court construes the claims of a patent, it is "defining the federal legal rights created by the patent document." *Markman* v. *Westview Instruments, Inc.*, 52 F.3d 967, 978 (Fed. Cir. 1995) (en banc). The public must be able to ascertain the scope of that right to avoid infringement. See *Vitronics Corp.*, 90 F.3d at 1583. Of course, the public can do so only if courts "similarly analyze the text of the patent and its associated public record and apply the established rules of construction, and in that way arrive at the true and consistent scope of the patent owner's rights to be given legal effect." *Markman*, 52 F.3d at 979; see *Merrill* v. *Yeomans*, 94 U.S. 568, 573-574 (1876).

Third, interpreting patent claims according to their ordinary meaning promotes uniformity. Congress and this Court have regularly been guided by the goal of consistent claim construction and objective determinations of the scope of patent rights. This goal was in no small part responsible for the creation of a single appellate court to hear all appeals of patent cases. See H.R. Rep. No. 97-312, at 20-23 (1981); *Markman*, 517 U.S. at 390. Similarly, uniformity in claim construction was an "independent reason" this Court determined that claim construction is a matter of law for the court. *Ibid.*[5]

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[5] The ITC is authorized to investigate the importation of goods that infringe a U.S. patent. See 19 U.S.C. 1337. In determining patent validity and infringement, the ITC uses the same claim construction standard as courts. See *Kyocera Wireless Corp.* v. *ITC*, 545 F.3d 1340, 1346 (Fed. Cir. 2008).

2. Examination assesses the scope of fluid, changeable patent claims.

a. By contrast, the PTO has long applied a different claim construction protocol in patent examinations, when the proposed claims are susceptible to amendment and not yet in their final form. The PTO's patent examiners give pending claims the "broadest interpretation of which they reasonably are susceptible." *In re Carr*, 297 F 542, 544 (D.C. Cir. 1924); see PTO Manual § 2111 (9th ed. Oct. 2015). The use of an artificially broad claim construction serves a wholly different purpose in examination than in litigation because the examiner's duty is different than the duty of courts. Courts are tasked with giving the claims a "fixed, unambiguous, legally operative meaning" to determine the actual scope of the granted invention. *Chimie* v. *PPG Indus., Inc.*, 402 F.3d 1371, 1377 (Fed. Cir. 2005). Before claims are fixed, however, the examiner's duty is to ensure that the claims clearly cover only what the inventor is entitled to claim.

When examining a patent application, examiners use the BRI protocol to "facilitate exploring the metes and bounds to which the applicant may be entitled, and thus to aid in sharpening and clarifying the claims during the application stage, when claims are readily changed." *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009). By adopting the broadest reasonable interpretation of the claims, the examiner maximizes the scope of prior art that could invalidate the claims, and in an iterative process explores with the applicant the claim terms that accurately encompass an allowable invention. The "[a]pplicants' interests are not impaired" by a broad construction because "they are not foreclosed from obtaining appropriate coverage for

their invention with express claim language." *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). The applicant has the "ability to amend his claims to avoid cited prior art," *id.* at 1572, and thereby avoid prejudice from construing the proposed claims differently than what they actually mean.

The applicant's right to amend is absolute; the PTO's permission is not required while the application is pending. See 35 U.S.C. 132; 37 C.F.R. 1.111. Thus, if the examiner rejects the broadest reasonable interpretation of a proposed claim as unpatentable (and explains her rationale), the applicant may freely narrow the claim by amendment or by advancing limiting arguments that become part of the prosecution history used to give the claim its ordinary meaning. Through that back-and-forth between examiner and applicant, the claim language is refined to "correspond with [the applicant's] contribution to the art." *Yamamoto*, 740 F.2d at 1572; *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989). The BRI protocol thus "serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified." *Yamamoto*, 740 F.2d at 1572; see PTO Manual § 2111. The BRI protocol also helps patentees by "protect[ing] the real invention" and "prevent[ing] needless litigation after the patent has issued." *Carr*, 297 F at 544.

b. The PTO has adopted the BRI protocol in various types of post-issuance proceedings that, like initial examinations, assess the scope of patent claims, explain any objections to claim language, and allow the patentee to amend.

i. In 1980, Congress created ex parte reexamination. See Pub. L. No. 96-517, ch. 30, 94 Stat. 3015. Any person may file a petition alleging a "substantial

new question of patentability." 35 U.S.C. 302, 303(a). If the PTO agrees, it initiates a reexamination proceeding involving only the applicant and the PTO, and considers the claims as if the patent had never issued. See 35 U.S.C. 304, 305; 37 C.F.R. 1.550. The purpose of reexamination is "to 'start over' in the PTO with respect to the limited examination areas involved, and to *re* examine the claims, and to *examine* new or amended claims, as they would have been considered if they had been originally examined in light of all of the prior art of record in the reexamination proceeding." *In re Etter*, 756 F.2d 852, 857 (Fed Cir. 1985) (en banc) (emphasis in original).

Because reexamination is the functional equivalent of an initial examination, it uses the same claim construction standard to advance the same goals. The examiner is required to give a claim its broadest reasonable interpretation, and if the examiner determines that the claim is unpatentable under that construction, the patentee has a right to amend the claim to distinguish the invention from the prior art and address the examiner's rationale for rejection. Any prejudice to testing claim language by artificially construing the language in ways different from its plain meaning is eliminated or at least substantially ameliorated by the applicant's ability to amend. See 35 U.S.C. 305 ("In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto."). Indeed, the Federal Circuit has upheld the PTO's use of the BRI protocol in reexamination proceedings precisely because Section 305 addresses prejudice by giving patentees the right to amend their claims. *Yamamoto*, 740 F.2d at 1572; *In re Hyatt*, 211 F.3d 1367, 1372 (Fed. Cir. 2000).

Notably, the PTO does *not* use the BRI protocol in reexaminations of expired patents. On occasion, the PTO is asked to reexamine a patent that has expired, because the statute of limitations still allows for infringement damages based on conduct during the patent term. See PTO Manual § 2211. In that circumstance, the patentee cannot amend its expired claims, see 37 C.F.R. 1.530(j), and the reexamination is effectively nothing more than an alternative forum to district courts for adjudicating validity. In such circumstances, the PTO has instructed examiners to use the same standard as district courts by giving patent claims their ordinary meaning. See PTO Manual § 2258G; *In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014). The PTO has thus recognized that it is the function of a proceeding and the patentee's ability to amend that determine the applicable claim construction standard.

ii. In 1999, in response to criticism that ex parte reexamination did not allow for third-party participation, Congress created inter partes reexamination. Pub. L. No. 106-113, 113 Stat. 1501. Inter partes reexamination was wildly unsuccessful, in no small part because the presence of a challenger to the patent did not fit well within an iterative process between examiner and patentee involving frequent claim amendment. See Sherry M. Knowles, *et al.*, Inter Partes *Patent Reexamination in the United States*, 86 J. Pat. & Trademark Off. Soc'y 611, 614 (2004) ("It would be legal malpractice to recommend a client initiate an *inter partes* reexamination.") (internal quotation marks omitted). That is why Congress eventually repealed inter partes reexamination and replaced it with IPR. But during its existence, inter partes reexamination was conducted according to the same basic

procedure as initial examination and ex parte reexamination: if the examiner rejected the claim based on its broadest reasonable meaning, the patentee could freely respond and amend the claim. See 35 U.S.C. 314 (2010); 37 C.F.R. 1.937.

iii. Finally, a patentee may request that its patent be reissued. 35 U.S.C. 251(a). Whereas reexamination is aimed at correcting errors made by the PTO in the initial application, reissue is aimed at correcting errors made by the applicant. See *Patlex Corp.* v. *Mossinghof*, 758 F.2d 594, 604 (Fed. Cir. 1985). Reissue applications are "examined in the same manner as a non-reissue, non-provisional application." 37 C.F.R. 1.176. The patent examiner therefore construes the claims according to their broadest reasonable interpretation, and the patent owner is not prejudiced because he may readily amend the claims in response to the examiner's views to obtain protection commensurate with his actual invention. See *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A. 1981).[6]

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[6] The PTO also applies the BRI protocol in interference proceedings, which are a "contest * * * between an application and either another application or a patent" to determine "which party first invented the commonly claimed invention." PTO Manual § 2301. The BRI protocol is used in interferences because a patentee may "narrow its claims by filing an application to reissue the patent [and] requesting that the reissue application be added to the interference." *Bamberger* v. *Cheruvu*, 55 U.S.P.Q.2d 1523, 1526 (B.P.A.I. 1998) (unpublished). The AIA changed from a "first-to-invent" to a "first-inventor-to-file" system, and thus interference proceedings eventually will be eliminated.

B. Congress created IPR as a substitute for district court adjudication of patent validity, not as an extension of the examination process.

The Board and the panel majority both recognize that "inter partes review is neither a patent examination nor a patent reexamination," but is "a trial, adjudicatory in nature." *Google Inc.* v. *Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper 50, at 4 (P.T.A.B. Feb. 13, 2014); Pet. App. 17a. As the Federal Circuit recently held, IPR is "distinctly different from a typical PTO examination or reexamination." *Nike, Inc.* v. *Adidas AG*, No. 2014-1719, 2016 WL 537609, at *3 (Fed. Cir. Feb. 11, 2016).[7] And as the Government correctly acknowledges, the BRI protocol is "simply 'an examination expedient.'" Br. in Opp. 16 (quoting *Skvorecz*, 580 F.3d at 1267). It naturally follows that Congress would not have intended an examinational standard different from that used by courts to govern its newly created process for adjudicating patent validity. The text, structure, and history of the AIA all confirm that common-sense conclusion. IPR is a substitute for, and should use the same claim construction standard as, district court adjudication.

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[7] As the PTO acknowledged in a recent report to Congress, IPR was "designed to be a faster and less expensive alternative to district court litigation for resolving patentability." U.S. Patent and Trademark Office, *Report to Congress: Study and Report on the Implementation of the Leahy-Smith America Invents Act* 12 (Sept. 2015). The AIA "respond[ed] to criticism of the inter partes reexamination process and converted [it] from an examination to an adjudicative proceeding named inter partes review." *Id.* at 33.

1. The AIA's text and structure show that IPR is a surrogate for district court adjudication.

a. Most obviously, Congress fashioned the IPR system as far more similar to district court adjudication than examination. During IPR, the Board adjudicates the arguments raised by the parties rather than conducting an examination of the patent. The patentee and the challenger have the opportunity to obtain document discovery, take depositions, present fact-witness declarations and expert reports, submit briefs, and participate in an oral argument before a panel of three judges of the Patent Trial and Appeal Board. 35 U.S.C. 316; 37 C.F.R. 42.23-42.24, 42.51-42.53, 42.70. As in district court litigation, the party challenging the patent has the burden to prove that the challenged claims are invalid. 35 U.S.C. 316(e). Following trial, the Board must issue a final written decision determining whether the petitioner has met its burden and canceling any claim determined to be invalid. 35 U.S.C. 318. The invalidation of claims by the Board has the same legal effect as the invalidation of claims by a district court.[8]

Moreover, the AIA instructs the Board, in considering certain of the patentee's previous statements

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[8] A determination of unpatentability by the Board results in cancellation of the claims. 35 U.S.C. 318(a)-(b). Although courts do not "cancel" claims adjudicated to be invalid, the patentee is estopped from asserting those claims again. See *Blonder-Tongue Labs., Inc.* v. *Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971). As with district court litigation, the patentee in IPR is not given an opportunity to amend after claims have been rejected, contrary to examinational proceedings. There is thus nothing examinational about IPR. Rather, IPR determines the validity of patent claims no less than litigation before district courts or the ITC.

about claim scope, "to determine *the proper meaning* of a patent claim." 35 U.S.C. 301(d) (emphasis added). If Congress had intended for the Board to use a patentee's previous statements as part of the BRI analysis, it would have been odd to refer to "the proper meaning" of a patent claim rather than its broadest reasonable meaning. The more natural inference—and the only one consistent with the structure and purpose of IPR—is that Congress intended the Board to adopt the governing practice in district courts and to consider prosecution history in determining a claim's actual meaning. See *Phillips*, 415 F.3d at 1314.

Because IPR is a surrogate for court proceedings, the AIA also created a new tribunal called the Patent Trial and Appeal Board to conduct IPR trials. 35 U.S.C. 6(c). The Board is comprised of administrative patent judges who rule on the challenger's assertions that a claim is invalid and are not bound by the examiner's exhaustive rules set out in the PTO Manual. See *Commerce, Justice, Science, and Related Agencies Appropriations for 2012: Hearings Before a Subcomm. of the H. Comm. on Appropriations*, 112th Cong. 196 (Mar. 2, 2011) (statement of David Kappos, PTO Director) (The Board's members are trained as "judges," because the Board is "not examining patent applications, [it is] adjudicating."). Those judges are instructed to rely only on prior art cited in the parties' filings. Unlike in examinational proceedings, there should be no "independent examination by the [PTO] where a prior art search is performed." Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board; Proposed Rules, 80 Fed. Reg. 50,720, 50,723-50,724 (Aug. 20, 2015). The Board does not examine or informally ex-

press its views as an examiner may. The very nature of the IPR system is adjudicatory, not examinational.

b. The fact that the BRI protocol is inimical to the purpose of IPR also is shown by Congress's elimination of the right to amend claims. Congress did so although the case law repeatedly noted that the BRI protocol was only justified, and prejudice to patentees only ameliorated, by the patentee's liberal ability to amend. See *Yamamoto*, 740 F.2d at 1571; *Hyatt*, 211 F.3d at 1372. In IPR, the patentee may file one "motion to amend" but must first confer with the Board. 35 U.S.C. 316(d); 37 C.F.R. 42.121(a). The motion is presumptively limited to substituting one amended claim for each challenged claim, and the motion may be denied if the amendment "does not respond to a ground of unpatentability involved in the trial" or "seeks to enlarge the scope of the claims of the patent or introduce new subject matter." 37 C.F.R. 42.121(a). Significantly, unlike in examinational proceedings, the motion must be made before any claim is rejected and before the Board must express any final rationale as to why the claim is invalid. See 37 C.F.R. 42.121(a)(1).

Moreover, the Board's standard for granting a motion to amend in IPR is extremely high. The patent owner bears the burden "to show a patentable distinction of each proposed substitute claim over the prior art" and "persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner." *Idle Free Sys., Inc.* v. *Bergstrom, Inc.*, IPR2012-00027, Paper 26, at 7 (P.T.A.B. June 11, 2013); see *Nike*, 2016 WL 537609, at *5 (upholding the PTO's rule imposing the burden of establishing the patentability of proposed substitute claims on the pa-

tentee). As a result, the Board almost always denies motions to amend. "[O]f the 86 motions to amend filed in IPR proceedings as of June 30, 2015, *five* have been granted." BIO Cert. Amicus Br. 11 (emphasis in original).

Indeed, the PTO has justified the constricted amendment process precisely on the ground that IPR is an adjudicatory proceeding. "[A] 'motion to amend' a patent during an IPR proceeding should not—and cannot—be treated in the same way as an amendment during an examination proceeding. IPR proceedings are not examinational in nature; they are adjudicatory proceedings." *Microsoft Corp.* v. *Proxyconn, Inc.*, No. 2014-1542, Docket entry No. 50, at 7 (Fed. Cir. Apr. 27, 2015) (PTO Letter). "[W]hen a patent owner files a 'motion to amend' its patent in an IPR, it is not simply amending the claims, as it might during examination, permitting the [PTO] then to assess patentability. Rather it is a *motion to amend a patent* in an adjudicatory proceeding where no examination takes place." *Ibid.* (emphasis in original).

Even on the rare occasions when the Board grants the motion to amend, cancels the issued claim, and substitutes the amended claim, the basic function of the IPR remains unchanged: to adjudicate the validity of the (new) claim. The IPR does not somehow become examinational in any sense that would warrant using the BRI protocol. The panel simply proceeds to determine the validity of the new claim rather than the old one. As with all IPRs, if the panel rejects the claim as invalid, the patentee has no opportunity to amend; its only recourse is an appeal to the Federal Circuit. See 35 U.S.C. 141(c). Accordingly, although the patentee has no right to amend and very little practical ability to amend, even its theoretical ability

to amend in a handful of cases does not change the fundamentally adjudicatory nature of IPR.

c. The AIA's estoppel and stay provisions confirm that Congress designed IPR as an alternative to litigation. If the petitioner has filed a declaratory judgment action in district court, the Board may not institute an IPR. 35 U.S.C. 315(a)(1). Conversely, once the petitioner files for IPR, any later-filed declaratory judgment action is automatically stayed. 35 U.S.C. 315(a)(2). Congress thus prevented a party from simultaneously litigating both an IPR and an action in district court for a declaration of invalidity. Congress did so because it intended that both the Board and district courts would perform the same function: ascertain the actual meaning of claims and determine whether those claims are valid. In addition, once the Board issues a final decision, the petitioner is estopped from asserting in any subsequent district court action "that the claim is invalid on any ground that the petitioner raised or reasonably could have raised" during the IPR. 35 U.S.C. 315(e)(2). Again, Congress permitted a patent challenger only one bite at the invalidity apple, whether in IPR or district court litigation, because it intended that the Board and district courts would reach a consistent result based on the same pool of potential prior art. The BRI standard thwarts that straightforward goal.

2. The AIA's legislative history confirms that IPR is a surrogate for district court adjudication.

Congress originally created reexamination as a more efficient alternative to district court litigation. H.R. Rep. No. 112-98, at 45. Over time, however, it became clear that neither type of reexamination—

ex parte or inter partes—served that goal. *Id.* at 45-46; see S. Rep. No. 110-259, at 18-19 (2008). Given "the chorus of concerns" with reexamination, Congress "determined that it would be simpler, and ultimately better, to make a clean start" by replacing inter partes reexamination with "a quick, inexpensive, and reliable alternative to district court litigation to resolve questions of patent validity." *Id.* at 20.[9]

To accomplish that end, the Act converted the former system of "inter partes reexamination from an examinational to an adjudicative proceeding, and renam[ed] the proceeding 'inter partes review.'" H.R. Rep. No. 112-98, at 46-47. Congress knew that the PTO would have to implement the transition, but in accordance with IPR's adjudicatory purpose. See, *e.g.*, 157 Cong. Rec. S1376 (Mar. 8, 2011) (Sen. Kyl) ("Among the reforms that are expected to expedite these proceedings are the shift from an examinational to an adjudicative model."). In light of Congress's explicit recognition that inter partes reexamination did not serve the purpose IPR was intended to create, and its desire to create an adjudicatory alternative, Congress cannot possibly have expected or impliedly authorized the PTO to borrow its claim construction standard from the very proceeding (inter partes reexamination) that Congress was consciously replacing.

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[9] See, *e.g.*, H.R. Rep. No. 112-98, at 48 (IPR provides a "quick and cost effective alternative[] to litigation."); 157 Cong. Rec. S951 (Feb. 28, 2011) (Sen. Hatch); 157 Cong. Rec. S1111 (Mar. 2, 2011); 157 Cong. Rec. S1350 (Mar. 8, 2011) (Sen. Leahy).

3. IPR is not a surrogate for litigation when it uses a different claim construction standard that leads to different results.

The use of the BRI standard is plainly inconsistent with Congress's aim of substituting administrative adjudication for district court adjudication. Under the AIA, a patent challenger may elect to file either a federal lawsuit (or counterclaim to an infringement allegation) or an IPR petition, meaning that either district courts or the Board may decide whether patent claims are invalid pursuant to "[S]ection 102 [novelty] or 103 [obviousness]." 35 U.S.C. 311(b). The Board's use of the BRI standard means that the Board may consider different prior art and reach a different validity decision regarding the same invention. Accordingly, using the BRI standard in IPR—far from creating a substitute—has led to forum-shopping, proliferated litigation, and created substantial unfairness for patentees.

For example, in *Whitserve, LLC* v. *Computer Packages, Inc.*, 694 F.3d 10 (2012), the Federal Circuit upheld a jury verdict of infringement of 14 patent claims. See *id.* at 21. Two years later, the Board issued a final decision invalidating nine of those claims based on similar prior art considered in the district court litigation. *Google, Inc.* v. *Whitserve LLC*, IPR2013-00249, Paper 32, at 3 (Sept. 9, 2014). The Board asserted that the inconsistency between its decision and the Federal Circuit's decision was justified by the fact that the Board applies the BRI protocol instead of the ordinary-meaning standard. *Id.* at 21. Similarly, in *Paice LLC* v. *Hyundai Motor Co.*, a jury returned a verdict finding nine patent claims not invalid. See No. 1:12-cv-00499-MPG, Docket entry No. 756 (D. Md. Oct. 7, 2015) (special verdict form).

Months later, the Board rejected the court's ordinary-meaning claim construction and invalidated two of the claims, as well as many more related claims, based on similar prior art rejected in the district court. See *Ford Motor Co.* v. *Paice LLC*, IPR2014-00904, Paper 41, at 9, 21 (Dec. 10, 2015); *Ford Motor Co.* v. *Paice LLC*, IPR2014-00875, Paper 38, at 30 (Nov. 23, 2015).

In numerous other cases, the Board and district courts have reached conflicting conclusions on the validity of the same invention.[10] As a result of the conflicting standards, patentees can no longer rely on the finality of district court adjudication, and challengers are encouraged to take multiple bites at the invalidity apple. The dual standard has thus become a tool to harass patentees with repeated challenges to a patent's validity.

Predictably, the use of BRI has led to the proliferation of costly litigation. Patent challengers have filed IPR petitions in droves to take advantage of the Board's more favorable standard. Since September 2012 when the AIA took effect, the PTO has received more than 3,900 IPR petitions. Of those, the Board has already completed at least 732 IPR trials, with 636 (or nearly 87%) ending in the cancellation of some or all of the patent claims. See U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics 12/31/2015 (PTO Statistics), at 9. The use of

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[10] See, *e.g.*, *Interdigital Commc'ns., Inc.* v. *ZTE Corp.*, No. 1:13-cv-00009-RGA, Docket entry No. 431, at 4, 7 (D. Del. Oct. 28, 2014) (verdict form); *ZTE Corp.* v. *IPR Licensing, Inc.*, IPR2014-00525, Paper 48, at 10-13, 33 (P.T.A.B. Sept. 14, 2015); *Ultratec, Inc.* v. *Sorenson Commc'ns., Inc.*, No. 3:13-cv-00346-BBC, Docket entry No. 658, at 3-4 (W.D. Wisc. Oct. 23, 2014) (special verdict form); *CaptionCall, LLC* v. *Ultratec, Inc.*, IPR2013-00540, Paper 78, at 5-8, 26-27, 53 (P.T.A.B. Mar. 3, 2015).

the BRI standard in IPR has weakened the integrity of the patent system, led to the same invention's meaning different things, undermined the goal of uniformity, and failed to carry out the intent of the AIA.

II. THE PTO'S REGULATION IS INVALID AND NOT ENTITLED TO DEFERENCE.

The court of appeals relied in the alternative on a regulation promulgated by the PTO that directs the Board to give claims their "broadest reasonable construction" rather than their plain and ordinary meaning. 37 C.F.R. 42.100(b). The PTO, however, has long been denied the power to prescribe substantive rules. The AIA continues that tradition by authorizing the PTO to prescribe rules governing the conduct of IPR. It does not authorize the PTO to alter the substantive standard used to determine the scope and validity of a patent. And even if the PTO had such authority, its regulation would not be entitled to deference because it is not a reasonable interpretation of the AIA.

A. Section 42.100(b) is not a valid exercise of the PTO's rulemaking authority.

1. The PTO has only procedural rulemaking authority.

a. The PTO has long lacked the authority to promulgate substantive rules. Under the Patent Act, the PTO may establish regulations to "govern the conduct of proceedings in the Office," 35 U.S.C. 2(b)(2)(A), which is "the broadest of the Office's rulemaking powers," *Stevens* v. *Tamai*, 366 F.3d 1325, 1333 (Fed. Cir. 2004). The Federal Circuit has held that "[t]o comply with [S]ection 2(b)(2)(A), a Patent Office rule must be *procedural—i.e.*, it must govern the conduct of proceedings in the Office." *Cooper*

Techs. Co. v. *Dudas*, 536 F.3d 1330, 1335 (Fed. Cir. 2008) (internal quotation marks omitted; emphasis added); see *Merck & Co., Inc.* v. *Kessler*, 80 F.3d 1543, 1549-1550 (Fed. Cir. 1996) (holding that the PTO "does NOT * * * [have] the authority to issue substantive rules").

In the lead-up to the AIA, both Houses of Congress considered various patent reform bills, including one that would have given the PTO substantive rulemaking authority. See Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 11 (Apr. 18, 2007); Patent Reform Act of 2007, S. 1145, 110th Cong. § 11 (Apr. 18, 2007). That provision was stripped from the bill that passed the House, and no version of the bill passed the Senate. Later reform proposals would have granted the PTO authority to set patent fees and to issue procedural rules for any new types of proceedings such as post-grant review, see Patent Reform Act of 2009, S. 515, 111th Cong. §§ 5, 9 (Apr. 2, 2009), although the current Administration pressed for substantive rulemaking authority as well, see Letter from U.S. Dep't of Commerce Secretary Locke to S. Comm. on Judiciary (Oct. 5, 2009). Ultimately, the AIA adopted the same compromise: authority over fee-setting and procedural rules, but not substantive rules.

b. In the AIA, Congress repeated the Patent Act's language to describe the PTO's limited rulemaking authority. Section 316(a) is entitled "*[c]onduct* of inter partes review" (emphasis added). See *Almendarez-Torres* v. *United States*, 523 U.S. 224, 234 (1998) ("[T]he heading of a section" is a "tool[] available for the resolution of a doubt about the meaning of a statute.") (internal quotation marks omitted). Congress thus used a term that naturally refers to proce-

dure rather than substance. See Webster's New Collegiate Dictionary 235 (1977) (defining "conduct" as "the act, manner, or process of carrying on: management"). Moreover, Congress used the same term in the AIA that, in the context of the Patent Act, has long been understood to bestow only procedural rulemaking authority. See *Bruesewitz* v. *Wyeth*, 562 U.S. 223, 243 (2011) (When "judicial decisions have given a term or concept a consistent judicial gloss, we presume Congress intended the term or concept to have that meaning when it incorporated it into a later-enacted statute.").

Consistent with its heading, Section 316(a) requires the PTO to prescribe regulations governing the conduct of IPR, including public filing and sealing, joinder, discovery and protective orders, briefing procedures, oral argument, timely disposition by the Board, and sanctions for abusive conduct. 35 U.S.C. 316(a)(1), (3), (5)-(8), (10)-(12). Those grants of authority are plainly procedural in nature, and the PTO did not rely on any of them in enacting the regulation at issue. Rather, the PTO relied on Paragraphs 2 and 4, see 77 Fed. Reg. 48,680, 48,697 (Aug. 14, 2012), but neither of those provisions does what its brethren do not. Both provisions grant only a form of procedural authority to the PTO. See *Ysursa* v. *Pocatello Educ. Ass'n*, 555 U.S. 353, 371 (2009) ("That the restriction was more narrowly intended to target union fundraising is first evidenced by its statutory context. The other provisions * * * pertain exclusively to unions.").

i. The panel majority found that the PTO's regulation is authorized by Paragraph 4, which requires the PTO to prescribe rules "establishing and governing inter partes review." 35 U.S.C. 316(a)(4). Again,

that language is very similar to the analogous provision in the Patent Act granting only procedural rulemaking authority. The power to issue rules "governing" IPR is not importantly different from the power to issue rules "govern[ing] the conduct of [patent] proceedings," 35 U.S.C. 2(b)(2)(A), especially because Section 316 as a whole concerns "[c]onduct of inter partes review." Paragraph 4 may be a catch-all for rules not specifically covered by other paragraphs, but it is a *procedural* catch-all. Congress would not have granted substantive rulemaking authority in such a roundabout way. See H.R. Rep. No. 112-98, at 48 ("[T]he Committee intends for the USPTO to address potential abuses and current inefficiencies under its expanded *procedural* authority.") (emphasis added).

ii. Paragraph 2 requires the PTO to issue rules "setting forth the standards for the showing of sufficient grounds to institute" an IPR "under [S]ection 314(a)." 35 U.S.C. 316(a)(2). Section 314(a) already establishes the substantive standard for instituting IPR: the Board "may not authorize an inter partes review to be instituted unless [it] determines * * * that there is a *reasonable likelihood* that the petitioner would prevail." 35 U.S.C. 314(a) (emphasis added). In allowing the PTO to "set[] forth the standards for the showing," Paragraph 2 authorizes procedural rules for how a petitioner may "show[]" a reasonable likelihood of prevailing—such as filing affidavits, briefs, copies of cited prior art, and so forth. Regardless, whatever the function of Paragraph 2, its plain language does not extend to the standard for claim construction.

c. The PTO's lack of statutory authority did not go unnoticed during the comment period on Section

42.100(b). The agency's (non)response to those comments is telling. The PTO parroted the statute by observing that it has the authority to "prescribe regulations setting forth the standards for the showing of sufficient grounds to institute, establish and govern an inter partes review." 77 Fed. Reg. at 48,697 The PTO then concluded—in a remarkable *ipse dixit*—that, "at a minimum, [it] has the authority to prescribe the claim construction standard by which inter partes review * * * [is] instituted." *Ibid.* The PTO gave no explanation, as the panel majority did not, for why Congress would have granted substantive rulemaking authority under the AIA while continuing to deny it under the Patent Act.

To be sure, the agency gave a number of reasons why, in its view, the BRI protocol ought to govern in IPR proceedings, see *id.* at 48,697-48,698, but that is a separate question from whether Congress granted the authority to adopt that protocol. The PTO also asserted that Congress "expected" the PTO to apply the BRI standard, citing a single statement by Senator Kyl referring to the standard. *Id.* at 48,698. But Senator Kyl went on to say that Section 316(a)(4) "gives the [PTO] discretion in prescribing regulations governing the new proceedings," because the PTO "has made clear that it will use this discretion to convert inter partes [review] into an *adjudicative proceeding*." 157 Cong. Rec. S1375 (Mar. 8, 2011) (emphasis added). A single ambiguous sentence by a single Senator is not a basis for ignoring the statutory language and historical limits on the PTO's rulemaking authority.

d. For its part, the panel majority reasoned that the PTO had the authority to promulgate Section 42.100(b) because "[t]he broadest reasonable inter-

pretation standard affects both the PTO's determination of whether to institute IPR proceedings and the proceedings after institution." Pet. App. 18a-19a. That rationale lacks any logical limit. The substantive doctrines of obviousness and anticipation also "affect[]" IPR proceedings, and yet even the panel majority acknowledged that it would be a "radical change" from history to allow the PTO to alter "substantive statutory 'patentability' standards." *Id.* at 20a. There is no reason to allow the PTO to issue some substantive rules but not others—and there is certainly no reason to distinguish between different types of substantive rules based on the text of Section 316(a)(2) and (4).

2. The regulation is substantive.

a. At the time that Congress enacted the AIA, the Federal Circuit and numerous district courts had indicated that the question of how to construe patent claims is one of substance, not procedure. See, *e.g.*, *Harris Corp.* v. *Ericsson Inc.*, 417 F.3d 1241, 1253 (Fed. Cir. 2005) (referring "to the substantive claim construction issue"); *Baran* v. *Medical Device Techs., Inc.*, 519 F Supp. 2d 698, 701 (N.D. Ohio 2007) (O'Malley, J.) (referring to "claim construction" as a "substantive aspect" of a case); *Beery* v. *Thomson Consumer Electronics, Inc.*, 218 F.R.D. 599, 605 (S.D. Ohio 2003) (referring to "claim construction" as a "substantive issue[]"); cf. *In re MSTG, Inc.*, 675 F.3d 1337, 1348 (Fed. Cir. 2012) (referring to "claim construction" as a "substantive litigation ruling[]"). So far as Cuozzo is aware, no court had treated the standard for claim construction as a procedural issue. Congress is presumed to have legislated against that backdrop of uniform existing law when it denied the

PTO the authority to promulgate substantive rules. See *Cannon* v. *Univ. of Chicago*, 441 U.S. 677, 698-699 (1979).

b. But even if courts had not spoken to the precise issue, it is clear that how to construe patent claims is a matter of substance under well-established Federal Circuit precedent. The Federal Circuit has explained "[a] rule is substantive when it effects a change in existing law or policy which affects individual rights and obligations." *Cooper*, 536 F.3d at 1336 (internal quotation marks and brackets omitted). By contrast, rules that do not affect the validity or scope of the patent are procedural. See *Lacavera* v. *Dudas*, 441 F.3d 1380, 1383 (Fed. Cir. 2006) (rule governing attorney appearances before the PTO was procedural); *Stevens*, 366 F.3d at 1333 (rule requiring party to submit translation of foreign patent applications was procedural). Under that test, the standard for claim construction is plainly substantive rather than procedural. Like setting the length of a patent term, the standard used in construing claims measures the reach of the patent owner's right. See *Merck & Co., Inc.*, 80 F.3d at 1550 (rule governing the length of a patent term is substantive).

The PTO has taken the position that using the BRI standard in IPR "does not change any substantive rights relative to the current practice," because the PTO has applied the BRI standard in initial examinations and reexaminations. 77 Fed. Reg. at 48,697. But that begs the question of which "current practice" matters. Examinational proceedings have never adjudicated the validity of issued patent claims. Litigation before district courts and the ITC does that, and the "current practice" in those fora is to construe claims according to their actual and ordinary mean-

ing. Given the number of cases in which the Board and district courts have reached different answers in construing the same patent claims, see *supra*, pp. 33-34, it blinks reality to say that Section 42.100(b) "does not change any substantive rights." Appearing before the Board rather than a district court or the ITC can make all the difference for whether a patent is determined to be valid.

B. Section 42.100(b) is plainly unreasonable.

Even if the PTO has the authority to promulgate substantive rules, Section 42.100(b) is not entitled to deference because it is not a reasonable interpretation of the AIA. See *Utility Air Regulatory Grp.* v. *EPA*, 134 S. Ct. 2427, 2442 (2014). Indeed, the PTO's regulation is manifestly unreasonable. The use of BRI not only defeats Congress's aim of substituting administrative adjudication for district court adjudication, but it allows the meaning of a patent claim to change depending on the inquiry (validity or infringement) or the forum (agency, district court, or the ITC). The anomaly is all the greater because patents challenged in IPR are likely to be the subject of district court litigation. See Saurabh Vishnubhakat, *et al.*, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, at 31-32 (Feb. 10, 2016) (forthcoming in Berkeley Tech. L.J.). Neither the PTO nor the panel majority has given any persuasive explanation "why Congress (or anyone else) would have thought it desirable or necessary for the Board to construe the claims during IPRs under a different legal framework than the one used by district courts." Pet. App. 54a-55a (joint dissent).

1. It is a fundamental principle of patent law that claims define the scope of the invention and "must be

interpreted and given the same meaning for purposes of both validity and infringement analyses." *SmithKline Diagnostics, Inc.* v. *Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988). Whether a challenger asserts invalidity or a patentee asserts infringement, the task is to properly interpret the claims. "A patent may not, like a 'nose of wax,' be twisted one way to avoid anticipation and another to find infringement." *Sterner Lighting, Inc.* v. *Allied Elec. Supply, Inc.*, 431 F.2d 539, 544 (5th Cir. 1970) (quoting *White*, 119 U.S. at 51).

Adopting the BRI standard in IPR violates that fundamental principle. It forces patentees to defend claims broader in scope than what they obtained from the PTO in prosecution and could assert in an infringement action. That is obviously unfair to patentees: it is like reading a deed differently in an ejectment suit than a trespass action. See IPO Cert. Amicus Br. 7 (A patent claim, "like any other piece of property, cannot logically have more than one 'proper' boundary."). It also misunderstands the basic exchange at the heart of patent law: disclosure of one's invention to the public, in return for a limited monopoly as defined by the claims of the patent. "To invalidate those claims using a different standard than one that considers the true meaning and scope of a claim would violate the bargain the patentee struck with the public." Pet. App. 56a (joint dissent).

2. The dual standard for validity and infringement also defeats the public-notice function of claims. One reason that patentees must "particularly point[] out and distinctly claim[]" the invention, 35 U.S.C. 112(b), is to inform the public of what constitutes infringement. "The object of the patent law in requiring the patentee to [distinctly claim his invention] is not only

to secure to him all to which he is entitled, but to apprise the public of what is still open to them." *McClain* v. *Ortmayer*, 141 U.S. 419, 424 (1891). The public cannot possibly guess what hypothetical, broadest reasonable reading the Board will give to patent claims in IPR proceedings. The public interest is in knowing "the *actual* scope of the claims, correctly construed—not their broadest reasonable interpretation." Pet. App. 42a (Newman, J., dissenting) (emphasis added).

Indeed, using the necessarily vague BRI standard in IPR reintroduces all of the imprecision and uncertainty—for both the public and the patentee—that the standard's use was supposed to have eliminated during the initial examination and any reexamination. Although determining the plain meaning of a claim is guided and informed by the patent specification and prosecution history, the PTO's constructing a broadest reasonable interpretation often uses stray sources that are not properly used to determine plain meaning. Once claims have issued, using a vague construction different from what the inventor was granted defies all logic.

3. The PTO has attempted to justify using a different standard from courts because it "has the discretion to consolidate [an IPR] with a pending reissue application or reexamination that involves the same patent," and "[i]t would be anomalous for the Board to have to apply two different standards in the merged proceeding." 77 Fed. Reg. at 48,697-48,698. The panel majority endorsed that rationale without further elaboration. See Pet. App. 20a.

The Government has not pointed to a single instance in which the Board has consolidated an IPR with a reexamination or reissue proceeding. The rea-

son is that, as the Board itself has explained, IPR and reexamination are fundamentally different. "The two types of proceedings arise under different statutes and are governed by different rules." *Ford Motor Co.* v. *Signal IP, Inc.*, IPR2015-00860, Paper 14, at 3 (P.T.A.B. Nov. 17, 2015). Whereas reexamination is "grounded in additional examination of an issued patent and is conducted according to the procedures established for initial examination," an IPR is "*adjudicatory in nature*." *Ibid.* (internal quotation marks omitted; emphasis added). "Thus, although the Board has the authority to consolidate a reexamination proceeding and an inter partes review, there is an inherent tension in attempting to unify proceedings that, by all accounts, are intended to be distinct in type from one another." *Ibid.*

Even assuming the Board were to consolidate a reexamination and an IPR, it would do so "into a single inter partes review proceeding." 77 Fed. Reg. at 48,697. If the proceedings are truly "merged," then the single, consolidated proceeding should apply the proper plain-meaning claim construction standard in IPR, and the fact of consolidation does not weigh in favor of the BRI protocol over the ordinary-meaning standard. If the proceedings are not truly merged, then it is hardly "anomalous" for the Board to apply different claim-construction standards. *Id.* at 48,697-48,698. Courts apply different substantive standards all the time; there is no reason why the Board cannot do the same. The PTO already applies the BRI protocol for reexamination generally, but the plain-meaning standard when the patent has expired.

III. IF THE BOARD EXCEEDS ITS STATUTORY AUTHORITY IN INSTITUTING AN IPR PROCEEDING, THE BOARD'S UNLAWFUL ACTION IS REVIEWABLE.

The AIA does not allow interlocutory review of institution determinations, but it does permit review as part of the plenary appeal from the Board's final decision, particularly in light of the strong presumption favoring judicial review. Even assuming that Congress intended to bar any review of the Board's institution determinations, the panel majority ignored that courts have drawn a narrow exception for review of agency action that, as here, violates clear statutory limits.

A. The AIA places significant limits on the Board's power to institute IPR proceedings.

Once the Board institutes IPR, it invalidates more than four out of every five patent claims that reach a final decision. See PTO Statistics at 12 (showing 7,778 claims found unpatentable and 1,523 claims found patentable after a final decision). In a real sense, the Board's decision whether to institute IPR is the most critical stage of the proceeding. Congress imposed limits on the Board's authority to institute IPR in an effort to resolve patent validity disputes in a timely, cost-effective manner.

1. IPR is an adversarial proceeding that the Board may institute only on the basis of the parties' submissions. The AIA requires an IPR petition to identify with particularity "the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." 35 U.S.C. 312(a)(3); see 37 C.F.R. 42.104(b). The patentee has "the right to file a preliminary response to

the petition * * * that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter." 35 U.S.C. 313. The Board then may institute IPR only upon "determin[ing] that the information presented in the petition * * * and any response * * * shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C. 314(a).

The statutory text could hardly be clearer. The Board must determine whether the information in the petition—*i.e.*, "the grounds on which the challenge to each claim is based, and the evidence that supports [those] grounds"—warrants instituting IPR with respect to each claim. 35 U.S.C. 312(a)(3). The Board is not authorized to institute IPR or invalidate patents on the basis of prior art it collects or arguments it devises. When the Board does so, it deprives the patentee—which already has filed its response addressing the petition—of the opportunity to explain why the Board's asserted evidence or argument does not warrant IPR and increases the risk of an erroneous decision. See Pet. App. 31a (Newman, J., dissenting). It also contributes to the Board's inability to comply with its statutory duty to take into account the patentee's response to the petition. The patentee cannot respond to grounds the petitioner never specifically asserted.

2. The Government correctly does not argue (Br. in Opp. 17-22) that the Board respected the unambiguous statutory limits on its authority in this case. The Board took combinations of prior art cited by Garmin only with respect to claim 17 of Cuozzo's patent and applied them as well to claims 10 and 14 to institute

IPR. See Pet. App. 188a, 192a-193a; see also *id.* at 31a (Newman, J., dissenting). That is exactly what the Board says it is *not* supposed to do under the AIA. See *Epicor Software Corp.* v. *Protegrity Corp.*, CBM2015-00006, Paper 16, at 37 (Apr. 21, 2015) ("[O]ffering a plurality of prior art references for consideration, with the particular and necessary combination to be selected or chosen by the Board is improper.").

B. The Board cannot violate those limits with impunity and without judicial oversight.

The Government's only argument is that, even though the Board exceeded its statutory authority in instituting IPR on claims 10 and 14, the Board's unlawful action is unreviewable. The Government relies, as the panel majority did, on 35 U.S.C. 314(d), which provides that the Board's determination "whether to institute an inter partes review under this section shall be final and nonappealable." The Government's interpretation of Section 314(d) is inconsistent with the statute's plain language, history, and the presumption in favor of judicial review of unlawful agency action.

1. Section 314(d) only bars appeal of the Board's institution decision by itself.

a. Section 314(d) provides that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." By its terms, the statute deals with appealability, not reviewability.[11] It bars only an ap-

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[11] Daniel J. Meador, Thomas E. Baker & Joan E. Steinman, *Appellate Courts: Structures, Functions, Processes, and Personnel* 48 (2d ed. 2006) ("'[R]eviewability' * * * refers to whether a trial

peal of the Board's institution decision itself. If the Board decides not to institute IPR, the petitioner may not appeal and the agency process is at an end. If the Board decides to institute IPR, Section 314(d) prevents the patentee from appealing that decision. See 28 U.S.C. 1295(a)(4) (granting exclusive jurisdiction to the Federal Circuit over "an appeal from a decision of" the Board "with respect to * * * inter partes review"). The AIA's bar on interlocutory appeals of the PTO's institution decisions makes complete sense because the Board is normally required to complete IPR proceedings within one year. See 35 U.S.C. 316(a)(11); 37 C.F.R. 42.100(c).

The AIA separately provides for appeal of the Board's final written decision. See 35 U.S.C. 141(c), 319. In such an appeal, nothing bars a party from arguing that the Board's final decision must be set aside because the proceeding was instituted in violation of the statutory restrictions. When Congress provided for appeal of the Board's final decision, it did so for "[any] party to an inter partes review * * * who is dissatisfied" with that decision, 35 U.S.C. 141(c), without placing any limits on the grounds for a party's dissatisfaction. In district court patent litigation, a party normally must wait to appeal until the entry of a final judgment, but it may raise claims of error from any earlier stage of the litigation. See *Digital Equip. Corp.* v. *Desktop Direct, Inc.*, 511 U.S. 863, 868 (1994). There is no reason for a different rule when a party

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judge's action can be scrutinized by an appellate court at any time. * * * [A]ppealability assumes that the trial judge's action is reviewable[;] the question is whether it can be reviewed immediately or whether review must await final resolution of the entire case in the trial court.").

appeals to the Federal Circuit from a final decision in an IPR proceeding.

The Government previously agreed with this interpretation. In *Versata Dev. Grp., Inc.* v. *Rea*, No. 1:13-cv-328 (E.D. Va.), the Government argued that the "plain language" of Section 314(d) provides that "judicial review is only unavailable from the decision to 'institute.'" Docket entry No. 18, at 16 (May 16, 2013) (Memorandum of Law in Support of Defendant's Motion to Dismiss). The AIA "retains the right of judicial review—in the Federal Circuit—for any party 'dissatisfied' by the [Board's] ultimate 'written determination,'" and a party may be "dissatisfied" for myriad reasons, including that the Board lacked authority to issue a final decision in the first place. *Ibid.* The Government switched positions on appeal, but as the Federal Circuit held, "the Government was right the first time." *Versata Dev. Grp., Inc.* v. *SAP Am., Inc.*, 793 F.3d 1306, 1318 (2015).

b. In addition, Congress was not writing on a blank slate in Section 314(d). Since its enactment in 1980, the reexamination statute has provided that the PTO's determination "that no substantial new question of patentability has been raised will be *final and nonappealable*." 35 U.S.C. 303(c) (emphasis added). Under Section 303(c), if the PTO decides not to institute a reexamination, that decision may not be appealed. If, however, the PTO does institute a reexamination, the Federal Circuit has held that the patentee may not appeal at the time, but at the conclusion of the reexamination the patentee may challenge the PTO's earlier determination that there was a "substantial new question of patentability." *In re Portola Packaging, Inc.*, 110 F.3d 786, 787 (Fed. Cir. 1997), superseded by statute on other grounds as recognized

by *In re NTP, Inc.*, 654 F.3d 1268, 1277 (Fed. Cir. 2011) ("Because the board exceeded its statutory authority by basing its decision solely on prior art previously considered by the PTO, we reverse."); *In re Recreative Techs. Corp.*, 83 F.3d 1394, 1395 (Fed. Cir. 1996) (same). Congress was presumably aware of that body of law when it incorporated the same statutory language into Section 314(d).[12]

c. The Government has argued that Section 314(d) is unnecessary to prevent appeal of the PTO's institution decision, because "background principles of administrative law" only permit review of final agency action. Br. in Opp. 18. First, the Government ignores the circumstance in which the Board decides *not* to institute IPR. That agency action would be final and likely subject to judicial review absent Section 314(d). The Board could argue that its institution decision has been committed to its discretion by law, see 5 U.S.C. 701(a)(2); *Heckler* v. *Chaney*, 470 U.S. 821, 838 (1985), but the AIA expressly provides the standard—whether the petitioner has shown "a reasonable likelihood" of invalidity, 35 U.S.C. 314(a)—for judging the Board's exercise of discretion.

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[12] The Federal Circuit recognizes an exception to appealability if the PTO's institution error is "washed clean during the reexamination"—for instance, the PTO improperly relied on old prior art in instituting but the examiner then relied only on new prior art. *In re Hiniker Co.*, 150 F.3d 1362, 1367 (Fed. Cir. 1998). But that exception is of no help to the Government here, because the Board's error in this case was not and could not have been "washed clean." The Board relied on prior art that Garmin did not identify in its petition as grounds for IPR with respect to claims 10 and 14, and the Board proceeded to invalidate those claims on the basis of the same prior art.

Second, when the Board institutes IPR, Section 314(d) prevents interlocutory review, including via mandamus petitions. See *St. Jude Med., Cardiology Div., Inc.* v. *Volcano Corp.*, 749 F.3d 1373, 1375-1376 (Fed. Cir. 2014); see also *In re Procter & Gamble Co.*, 749 F.3d 1376, 1379 (Fed. Cir. 2014) (denying a mandamus petition seeking interlocutory review of the Board's decision to institute IPR). To avoid the harsh consequences of allowing the Board to institute with impunity, the panel majority left open the possibility that the patentee might be able to seek mandamus relief *after* the Board issues its final decision. See Pet. App. 10a-11a. That does not make any sense. If Section 314(d) allows review of an institution decision at the conclusion of IPR, there is no reason to divorce that review from the direct appeal.

d. The Government argues that barring all review of the Board's institution decisions "furthers the purposes of the AIA" by "avoiding the waste and expense" of "relitigating threshold questions" that "do not bear on the proper scope of the patentee's exclusive rights." Br. in Opp. 20-21. But the "threshold question[]" is whether the Board has the statutory authority to adjudicate "the proper scope of the patentee's exclusive rights" in the first place. Far from undermining the AIA's purposes, permitting review is the only way to ensure that the Board's scrutiny of an issued patent actually complies with the AIA's requirements. It is the Government's position that undercuts the AIA by giving the Board a "blank check" to "rewrite its statutory authority." NYIPLA Cert. Amicus Br. 9.

e. At the least, Section 314(d) can be interpreted to bar only interlocutory review of the Board's institution decisions. The Government itself said so in *Ver-*

sata. Because Section 314(d) can be read that way, it should be read that way in light of the "strong presumption" favoring judicial review of administrative action. *Bowen* v. *Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1987); see *Mach Mining, LLC* v. *EEOC*, 135 S. Ct. 1645, 1651 (2015) ("[T]he agency bears a 'heavy burden' in attempting to show that Congress 'prohibit[ed] all judicial review' of the agency's compliance with a legislative mandate.") (quoting *Dunlop* v. *Bachowski*, 421 U.S. 560, 567 (1975)). The Government simply has not offered "clear and convincing evidence" that Congress intended the Board's institution decisions to be free from any judicial oversight. *Bowen*, 476 U.S. at 671 (internal quotation marks omitted).

2. The Board's institution decision is reviewable when it plainly violates the AIA.

Even if Congress intended Section 314(d) to bar any review of the Board's institution decisions, this Court and others have recognized "an 'implicit and narrow' exception" to such statutory bars "for agency action that plainly violates an unambiguous statutory mandate." *Versata*, 793 F.3d at 1342 (Hughes, J., concurring in part and dissenting in part) (quoting *Hanauer* v. *Reich*, 82 F.3d 1304, 1307 (4th Cir. 1996), and collecting several cases, including *Leedom* v. *Kyne*, 358 U.S. 184 (1958)); *Kyne*, 358 U.S. at 188 (finding district court jurisdiction over obviously unlawful agency action although statute did not provide for such jurisdiction). Courts applying the so-called *Kyne* exception have stressed its narrowness: it applies only when the agency violates a clear statutory mandate or prohibition. See, *e.g.*, *Key Medical Sup-*

ply, Inc. v. *Burwell*, 764 F.3d 955, 962-963 (8th Cir. 2014).

Here, Section 314(d) would continue to bar appeals contending that the Board, in weighing "the information presented in the petition * * * and any response," erred in finding "a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition." 35 U.S.C. 314(a). But Section 314(d) may not bar appeals that the Board ignored limits on its own statutory authority, including the requirement that the Board base its institution decision on the parties' submissions rather than its own research or theories. "An agency may not finally decide the limits of its own statutory power," *Soc. Sec. Bd.* v. *Nierotko*, 327 U.S. 358, 369 (1946), and accordingly the Board cannot have free license to ignore the AIA's limits on its institution authority.

IV. THE JUDGMENT BELOW SHOULD BE REVERSED AND THE CASE REMANDED FOR FURTHER PROCEEDINGS.

If this Court concludes that the Board applied the incorrect claim-construction standard, it should reverse the judgment below and remand the case to the Board for application of the correct standard. The Court also should address the reviewability of the Board's institution decision, so that Cuozzo will be able to challenge the Board's unlawful action in future proceedings on remand. If the Court concludes that the Board applied the correct claim-construction standard but that Section 314(d) does not bar review of the Board's institution decisions, the Court should reverse and remand for the Federal Circuit to deter-

mine whether the Board exceeded its statutory authority and the case should be dismissed.

CONCLUSION

For the reasons set forth above, the judgment should be reversed and remanded.

Respectfully submitted.

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APPENDIX

1. 28 U.S.C. 1295(a) provides in pertinent part:

§ 1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

(1) of an appeal from a final decision of a district court of the United States, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection;

(2) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1346 of this title, except that jurisdiction of an appeal in a case brought in a district court under section 1346(a)(1), 1346(b), 1346(e), or 1346(f) of this title or under section 1346(a)(2) when the claim is founded upon an Act of Congress or a regulation of an executive department providing for internal revenue shall be governed by sections 1291, 1292, and 1294 of this title;

(3) of an appeal from a final decision of the United States Court of Federal Claims;

(4) of an appeal from a decision of—

(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to a patent application, derivation proceeding, reexamination, post-grant review, or inter partes review under title 35, at the instance of a party who exercised that party's right to participate in the applicable proceeding before or appeal to the Board, except that an applicant or a party to a derivation proceeding may also have remedy by civil action pursuant to section 145 or 146 of title 35; an appeal under this subparagraph of a decision of the Board with respect to an application or derivation proceeding shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;

(B) the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office or the Trademark Trial and Appeal Board with respect to applications for registration of marks and other proceedings as provided in section 21 of the Trademark Act of 1946 (15 U.S.C. 1071); or

(C) a district court to which a case was directed pursuant to section 145, 146, or 154(b) of title 35;

(5) of an appeal from a final decision of the United States Court of International Trade;

(6) to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337);

(7) to review, by appeal on questions of law only, findings of the Secretary of Commerce under U.S. note 6 to subchapter X of chapter 98 of the Harmonized Tariff Schedule of the United States (relating to importation of instruments or apparatus);

(8) of an appeal under section 71 of the Plant Variety Protection Act (7 U.S.C. 2461);

(9) of an appeal from a final order or final decision of the Merit Systems Protection Board, pursuant to sections 7703(b)(1) and 7703(d) of title 5;

(10) of an appeal from a final decision of an agency board of contract appeals pursuant to section 7107(a)(1) of title 41;

(11) of an appeal under section 211 of the Economic Stabilization Act of 1970;

(12) of an appeal under section 5 of the Emergency Petroleum Allocation Act of 1973;

(13) of an appeal under section 506(c) of the Natural Gas Policy Act of 1978; and

(14) of an appeal under section 523 of the Energy Policy and Conservation Act.

* * * * *

2. 35 U.S.C. 2(a)-(b) provides in pertinent part:

§ 2. Powers and duties

(a) IN GENERAL.—The United States Patent and Trademark Office, subject to the policy direction of the Secretary of Commerce—

(1) shall be responsible for the granting and issuing of patents and the registration of trademarks; and

(2) shall be responsible for disseminating to the public information with respect to patents and trademarks.

(b) SPECIFIC POWERS.—The Office—

(1) shall adopt and use a seal of the Office, which shall be judicially noticed and with which letters patent, certificates of trademark registrations, and papers issued by the Office shall be authenticated;

(2) may establish regulations, not inconsistent with law, which—

(A) shall govern the conduct of proceedings in the Office;

(B) shall be made in accordance with section 553 of title 5;

(C) shall facilitate and expedite the processing of patent applications, particularly those which can be filed, stored, processed, searched, and retrieved electronically, subject to the provisions of section 122 relating to the confidential status of applications;

(D) may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office;

(E) shall recognize the public interest in continuing to safeguard broad access to the United States patent system through the reduced fee structure for small entities under section 41(h)(1);

(F) provide for the development of a performance-based process that includes quantitative and qualitative measures and standards for evaluating cost-effectiveness

and is consistent with the principles of impartiality and competitiveness; and

(G) may, subject to any conditions prescribed by the Director and at the request of the patent applicant, provide for prioritization of examination of applications for products, processes, or technologies that are important to the national economy or national competitiveness without recovering the aggregate extra cost of providing such prioritization, notwithstanding section 41 or any other provision of law;

* * * * *

3. 35 U.S.C. 6 provides:

§ 6. Patent Trial and Appeal Board

(a) IN GENERAL.—There shall be in the Office a Patent Trial and Appeal Board. The Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary, in consultation with the Director. Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.

(b) DUTIES.—The Patent Trial and Appeal Board shall—

(1) on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a);

(2) review appeals of reexaminations pursuant to section 134(b);

(3) conduct derivation proceedings pursuant to section 135; and

(4) conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32.

(c) 3-MEMBER PANELS.—Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.

(d) TREATMENT OF PRIOR APPOINTMENTS.—The Secretary of Commerce may, in the Secretary's discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge. It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.

4. 35 U.S.C. 112(a)-(b) provides in pertinent part:

§ 112. Specification

(a) IN GENERAL.—The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor or joint inventor of carrying out the invention.

(b) CONCLUSION.—The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention.

* * * * *

5. 35 U.S.C. 132 provides:

§ 132. Notice of rejection; reexamination

(a) Whenever, on examination, any claim for a patent is rejected, or any objection or requirement made, the Director shall notify the applicant thereof, stating the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of his application; and if after receiving such notice, the applicant persists in his claim for a patent, with or without amendment, the application shall be reexamined. No

amendment shall introduce new matter into the disclosure of the invention.

(b) The Director shall prescribe regulations to provide for the continued examination of applications for patent at the request of the applicant. The Director may establish appropriate fees for such continued examination and shall provide a 50 percent reduction in such fees for small entities that qualify for reduced fees under section 41(h)(1).

6. 35 U.S.C. 134 provides:

§ 134. Appeal to the Patent Trial and Appeal Board

(a) PATENT APPLICANT.—An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Patent Trial and Appeal Board, having once paid the fee for such appeal.

(b) PATENT OWNER.—A patent owner in a reexamination may appeal from the final rejection of any claim by the primary examiner to the Patent Trial and Appeal Board, having once paid the fee for such appeal.

7. 35 U.S.C. 141 provides:

§ 141. Appeal to Court of Appeals for the Federal Circuit

(a) EXAMINATIONS.—An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a)

may appeal the Board's decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his or her right to proceed under section 145.

(b) REEXAMINATIONS.—A patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board under section 134(b) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(c) POST-GRANT AND INTER PARTES REVIEWS.—A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(d) DERIVATION PROCEEDINGS.—A party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board in the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with section 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146. If the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under section 146, the Board's decision shall govern the further proceedings in the case.

8. 35 U.S.C. 251 provides:

§ 251. Reissue of defective patents

(a) IN GENERAL.—Whenever any patent is, through error, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Director shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue.

(b) MULTIPLE REISSUED PATENTS.—The Director may issue several reissued patents for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for a reissue for each of such reissued patents.

(c) APPLICABILITY OF THIS TITLE.—The provisions of this title relating to applications for patent shall be applicable to applications for reissue of a patent, except that application for reissue may be made and sworn to by the assignee of the entire interest if the application does not seek to enlarge the scope of the claims of the original patent or the application for the original patent was filed by the assignee of the entire interest.

(d) REISSUE PATENT ENLARGING SCOPE OF CLAIMS.—No reissued patent shall be granted en-

larging the scope of the claims of the original patent unless applied for within two years from the grant of the original patent.

9. 35 U.S.C. 301 provides:

§ 301. Citation of prior art and written statements

(a) IN GENERAL.—Any person at any time may cite to the Office in writing—

(1) prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent; or

(2) statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent.

(b) OFFICIAL FILE.—If the person citing prior art or written statements pursuant to subsection (a) explains in writing the pertinence and manner of applying the prior art or written statements to at least 1 claim of the patent, the citation of the prior art or written statements and the explanation thereof shall become a part of the official file of the patent.

(c) ADDITIONAL INFORMATION.—A party that submits a written statement pursuant to subsection (a)(2) shall include any other documents, pleadings, or evidence from the proceeding in which the statement was filed that addresses the written statement.

(d) LIMITATIONS.—A written statement submitted pursuant to subsection (a)(2), and additional information submitted pursuant to subsection (c), shall not be considered by the Office for any purpose other than to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324. If any such written statement or additional information is subject to an applicable protective order, such statement or information shall be redacted to exclude information that is subject to that order.

(e) CONFIDENTIALITY.—Upon the written request of the person citing prior art or written statements pursuant to subsection (a), that person's identity shall be excluded from the patent file and kept confidential.

10. 35 U.S.C. 302 provides:

§ 302. Request for reexamination

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Director pursuant to the provisions of section 41. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Director promptly will send a copy of the request to the owner of record of the patent.

11. 35 U.S.C. 303 provides:

§ 303. Determination of issue by Director

(a) Within three months following the filing of a request for reexamination under the provisions of section 302, the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 or 302. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.

(b) A record of the Director's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

(c) A determination by the Director pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Director may refund a portion of the reexamination fee required under section 302.

12. 35 U.S.C. 304 provides:

§ 304. Reexamination order by Director

If, in a determination made under the provisions of subsection 303(a), the Director finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

13. 35 U.S.C. 305 provides:

§ 305. Conduct of reexamination proceedings

After the times for filing the statement and reply provided for by section 304 have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent

and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Patent Trial and Appeal Board, will be conducted with special dispatch within the Office.

14. 35 U.S.C. 314 (repealed) provided:

§ 314. Conduct of inter partes reexamination proceedings

(a) IN GENERAL.—Except as otherwise provided in this section, reexamination shall be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133. In any inter partes reexamination proceeding under this chapter, the patent owner shall be permitted to propose any amendment to the patent and a new claim or claims, except that no proposed amended or new claim enlarging the scope of the claims of the patent shall be permitted.

(b) RESPONSE.—(1) With the exception of the inter partes reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party. In addition, the Office shall send to the third-party requester a copy of any communication sent by the Of-

fice to the patent owner concerning the patent subject to the inter partes reexamination proceeding.

(2) Each time that the patent owner files a response to an action on the merits from the Patent and Trademark Office, the third-party requester shall have one opportunity to file written comments addressing issues raised by the action of the Office or the patent owner's response thereto, if those written comments are received by the Office within 30 days after the date of service of the patent owner's response.

(c) SPECIAL DISPATCH.—Unless otherwise provided by the Director for good cause, all inter partes reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, shall be conducted with special dispatch within the Office.

15. 35 U.S.C. 311 provides:

§ 311. Inter partes review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) SCOPE.—A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could

be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) FILING DEADLINE.—A petition for inter partes review shall be filed after the later of either—

(1) the date that is 9 months after the grant of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

16. 35 U.S.C. 312 provides:

§ 312. Petitions

(a) REQUIREMENTS OF PETITION.—A petition filed under section 311 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 311;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including—

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) PUBLIC AVAILABILITY.—As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

17. 35 U.S.C. 313 provides:

§ 313. Preliminary response to petition

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

18. 35 U.S.C. 314 provides:

§ 314. Institution of inter partes review

(a) THRESHOLD.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) TIMING.—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) NO APPEAL.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

19. 35 U.S.C. 315 provides:

§ 315. Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION.—

(1) INTER PARTES REVIEW BARRED BY CIVIL ACTION.—An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action chal-

lenging the validity of a claim of a patent for purposes of this subsection.

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) JOINDER.—If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) MULTIPLE PROCEEDINGS.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) ESTOPPEL.—

(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

20. 35 U.S.C. 316 provides:

§ 316. Conduct of inter partes review

(a) REGULATIONS.—The Director shall prescribe regulations—

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as

sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) AMENDMENT OF THE PATENT.—

(1) IN GENERAL.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a

proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) SCOPE OF CLAIMS.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) EVIDENTIARY STANDARDS.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

21. 35 U.S.C. 317 provides:

§ 317. Settlement

(a) IN GENERAL.—An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner

and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

22. 35 U.S.C. 318 provides:

§ 318. Decision of the Board

(a) FINAL WRITTEN DECISION.—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by opera-

tion of the certificate any new or amended claim determined to be patentable.

(c) INTERVENING RIGHTS.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) DATA ON LENGTH OF REVIEW.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

23. 35 U.S.C. 319 provides:

§ 319. Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.

24. 37 C.F.R. 1.111 provides:

§ 1.111 Reply by applicant or patent owner to a non-final Office action.

(a) (1) If the Office action after the first examination (§ 1.104) is adverse in any respect, the applicant or patent owner, if he or she persists in his or her application for a patent or reexamination proceeding, must reply and request reconsideration or further examination, with or without amendment. See §§ 1.135 and 1.136 for time for reply to avoid abandonment.

(2) *Supplemental replies.* (i) A reply that is supplemental to a reply that is in compliance with § 1.111(b) will not be entered as a matter of right except as provided in paragraph (a)(2)(ii) of this section. The Office may enter a supplemental reply if the supplemental reply is clearly limited to:

(A) Cancellation of a claim(s);

(B) Adoption of the examiner suggestion(s);

(C) Placement of the application in condition for allowance;

(D) Reply to an Office requirement made after the first reply was filed;

(E) Correction of informalities (*e.g.*, typographical errors); or

(F) Simplification of issues for appeal.

(ii) A supplemental reply will be entered if the supplemental reply is filed within the period during which action by the Office is suspended under § 1.103(a) or (c).

(b) In order to be entitled to reconsideration or further examination, the applicant or patent owner must reply to the Office action. The reply by the applicant or patent owner must be reduced to a writing which distinctly and specifically points out the supposed errors in the examiner's action and must reply to every ground of objection and rejection in the prior Office action. The reply must present arguments pointing out the specific distinctions believed to render the claims, including any newly presented claims, patentable over any applied references. If the reply is with respect to an application, a request may be made that objections or requirements as to form not necessary to further consideration of the claims be held in abeyance until allowable subject matter is indicated. The applicant's or patent owner's reply must appear throughout to be a *bona fide* attempt to advance the application or the reexamination proceeding to final action. A general allegation that the claims define a patentable invention without specifically pointing out how the language of the claims patentably distinguishes them from the references does not comply with the requirements of this section.

(c) In amending in reply to a rejection of claims in an application or patent under reexamination, the applicant or patent owner must clearly point out the patentable novelty which he or she thinks the claims present in view of the state of the art disclosed by the references cited or the objections made. The applicant or patent owner must also show how the amendments avoid such references or objections.

25. 37 C.F.R. 1.176 provides:

§ 1.176 Examination of reissue.

(a) A reissue application will be examined in the same manner as a non-reissue, non-provisional application, and will be subject to all the requirements of the rules related to non-reissue applications. Applications for reissue will be acted on by the examiner in advance of other applications.

(b) Restriction between subject matter of the original patent claims and previously unclaimed subject matter may be required (restriction involving only subject matter of the original patent claims will not be required). If restriction is required, the subject matter of the original patent claims will be held to be constructively elected unless a disclaimer of all the patent claims is filed in the reissue application, which disclaimer cannot be withdrawn by applicant.

26. 37 C.F.R. 1.530(j) provides in pertinent part:

§ 1.530 Statement by patent owner in *ex parte* reexamination; amendment by patent owner in *ex*

***parte* or *inter partes* reexamination; inventorship change in *ex parte* or *inter partes* reexamination.**

* * * * *

(j) *No enlargement of claim scope.* No amendment may enlarge the scope of the claims of the patent or introduce new matter. No amendment may be proposed for entry in an expired patent. Moreover, no amendment, other than the cancellation of claims, will be incorporated into the patent by a certificate issued after the expiration of the patent.

* * * * *

27. 37 C.F.R. 1.550(a)-(b) provides in pertinent part:

§ 1.550 Conduct of *ex parte* reexamination proceedings.

(a) All *ex parte* reexamination proceedings, including any appeals to the Board of Patent Appeals and Interferences, will be conducted with special dispatch within the Office. After issuance of the *ex parte* reexamination order and expiration of the time for submitting any responses, the examination will be conducted in accordance with §§ 1.104 through 1.116 and will result in the issuance of an *ex parte* reexamination certificate under § 1.570.

(b) The patent owner in an *ex parte* reexamination proceeding will be given at least thirty days to respond to any Office action. In response to any rejection, such response may include further statements and/or proposed amendments or new claims

to place the patent in a condition where all claims, if amended as proposed, would be patentable.

* * * * *

28. 37 C.F.R. 1.937(a)-(b) provides in pertinent part:

§ 1.937 Conduct of *inter partes* reexamination.

(a) All *inter partes* reexamination proceedings, including any appeals to the Patent Trial and Appeal Board, will be conducted with special dispatch within the Office, unless the Director makes a determination that there is good cause for suspending the reexamination proceeding.

(b) The *inter partes* reexamination proceeding will be conducted in accordance with §§ 1.104 through 1.116, the sections governing the application examination process, and will result in the issuance of an *inter partes* reexamination certificate under § 1.997, except as otherwise provided.

* * * * *

29. 37 C.F.R. 42.100 provides:

§ 42.100 Procedure; pendency.

(a) An *inter partes* review is a trial subject to the procedures set forth in subpart A of this part.

(b) A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

(c) An *inter partes* review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge, or adjusted by the Board in the case of joinder.

30. 37 C.F.R. 42.108 provides:

§ 42.108 Institution of *inter partes* review.

(a) When instituting *inter partes* review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

(b) At any time prior to institution of *inter partes* review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims. Denial of a ground is a Board decision not to institute *inter partes* review on that ground.

(c) Sufficient grounds. *Inter partes* review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed.

31. 37 C.F.R. 42.121 provides:

§ 42.121 Amendment of the patent.

(a) *Motion to amend.* A patent owner may file one motion to amend a patent, but only after conferring with the Board.

(1) *Due date.* Unless a due date is provided in a Board order, a motion to amend must be filed no later than the filing of a patent owner response.

(2) *Scope.* A motion to amend may be denied where:

(i) The amendment does not respond to a ground of unpatentability involved in the trial; or

(ii) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

(3) *A reasonable number of substitute claims.* A motion to amend may cancel a challenged claim or propose a reasonable number of substitute claims. The presumption is that only one substitute claim would be needed to replace each challenged claim, and it may be rebutted by a demonstration of need.

(b) *Content.* A motion to amend claims must include a claim listing, which claim listing may be contained in an appendix to the motion, show the changes clearly, and set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and

(2) The support in an earlier-filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

(c) *Additional motion to amend.* In addition to the requirements set forth in paragraphs (a) and (b) of this section, any additional motion to amend may not be filed without Board authorization. An additional motion to amend may be authorized when there is a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement. In determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in paragraph (a)(1) of this section.

Supreme Court, U.S.
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MAR 23 2016
OFFICE OF THE CLERK

No. 15-446

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE RESPONDENT

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QUESTIONS PRESENTED

In 2011, Congress created *inter partes* review, a proceeding conducted by the United States Patent and Trademark Office (PTO) in which any member of the public can submit prior art and seek cancellation of the claims in an issued patent. See 35 U.S.C. 311-319. The questions presented are as follows:

1. Whether the PTO may require that, during an *inter partes* review, the claims in a patent will be given the "broadest reasonable construction" consistent with the patent's specification.

2. Whether a party may seek to overturn the PTO's final decision in an *inter partes* review based on an alleged error in the PTO's threshold decision to institute the review, which Congress provided "shall be final and nonappealable," 35 U.S.C. 314(d).

TABLE OF CONTENTS

Page

Opinions below 1
Jurisdiction 1
Statutory and regulatory provisions involved 2
Statement 2
Summary of argument 13
Argument:
I. The PTO appropriately decided to apply its broadest-reasonable-construction standard in *inter partes* review proceedings 16
A. Use of the broadest-reasonable-construction standard accords with Congress's design for *inter partes* review 17
1. The PTO has long applied the broadest-reasonable-construction standard in all agency proceedings in which patent claims may still be amended 17
2. By authorizing the patentee to amend its claims during *inter partes* review, Congress incorporated the principal feature that had long justified use of the broadest-reasonable-construction standard 23
3. Like other established interpretive rules, the broadest-reasonable-construction method is used to choose among interpretations that are consistent with the text of the disputed claim and with the specification 27
4. Several other structural attributes demonstrate that *inter partes* review was not intended simply to replicate the results of hypothetical district-court litigation 28

Table of Contents—Continued: Page

B. The PTO has reasonably exercised its delegated authority in applying the broadest-reasonable-construction standard in *inter partes* review 34
1. The broadest-reasonable-construction standard is not a substantive rule beyond the PTO's delegated regulatory authority ... 34
2. The PTO's regulation is reasonable and consistent with the statute 41
II. The PTO's threshold decision to institute an *inter partes* review, which Congress provided "shall be final and nonappealable," is not subject to review by the court of appeals 43
A. The statute bars all judicial review, not just interlocutory appeals, of the PTO's decision whether to institute an *inter partes* review 43
1. The statutory text limits judicial review to the agency's final decision about patentability 44
2. Limiting review to the PTO's final decision about patentability is consistent with the AIA's purposes 50
B. Even if the agency's decision were reviewable, the Board did not err in recognizing that the same obviousness objections would apply to two additional claims 51
Conclusion 52
Appendix — Statutory and regulatory provisions 1a

TABLE OF AUTHORITIES

Cases:

American Acad. of Sci. Tech Ctr., In re, 367 F.3d 1359 (Fed. Cir. 2004) 35
Bennett v. *Spear*, 520 U.S. 154 (1997) 45

Cases—Continued: Page

Block v. *Community Nutrition Inst.*, 467 U.S. 340 (1984) 49
Board of Governors of the Fed. Reserve Sys. v. *MCorp Fin., Inc.*, 502 U.S. 32 (1991) 50
Brezinger v. *Thornburgh*, 286 F 637 (D.C. Cir. 1923) 21
Briscoe v. *Bell*, 432 U.S. 404 (1977) 50
Brotherhood of R.R. Trainmen v. *Baltimore & Ohio R.R.*, 331 U.S. 519 (1947) 37
Carr, In re, 297 F 542 (D.C. Cir. 1924) 18, 19
Chevron U.S.A. Inc. v. *NRDC, Inc.*, 467 U.S. 837 (1984) 11
Consumer Watchdog v. *Wisconsin Alumni Research Found.*, 753 F.3d 1258 (Fed. Cir. 2014), cert. denied, 135 S. Ct. 1401 (2015) 29
Cooper Techs. Co. v. *Dudas*, 536 F.3d 1330 (Fed. Cir. 2008) 4, 36
Department of Homeland Sec. v. *MacLean*, 135 S. Ct. 913 (2015) 47
FTC v. *Standard Oil Co.*, 449 U.S. 232 (1980) 45
Harari v. *Lee*, 656 F.3d 1331 (Fed. Cir. 2011) 21
Klein v. *Russell*, 86 U.S. (19 Wall.) 433 (1873) 20
Lawson v. *FMR LLC*, 134 S. Ct. 1158 (2014) 37
Leedom v. *Kyne*, 358 U.S. 184 (1958) 50
Leo Pharm. Prods., Ltd. v. *Rea*, 726 F.3d 1346 (Fed. Cir. 2013) 22
Lindahl v. *OPM*, 470 U.S. 768 (1985) 50
Mach Mining, LLC v. *EEOC*, 135 S. Ct. 1645 (2015) 49, 50
Medtronic, Inc. v. *Mirowski Family Ventures, LLC*, 134 S. Ct. 843 (2014) 38
Merck & Co., Inc. v. *Kessler*, 80 F.3d 1543 (Fed. Cir. 1996), cert. denied, 519 U.S. (1997) 36

Statutes and regulations—Continued: Page

35 U.S.C. 301(a)(2) 23
35 U.S.C. 301(d) 35
35 U.S.C. 302 3
35 U.S.C. 303 ..... 46, 50, 1a
35 U.S.C. 303(a) 3, 33, 47, 1a
35 U.S.C. 303(c) 4, 47, 1a
35 U.S.C. 304 ..... 4, 35
35 U.S.C. 305 ..... 26, 41
35 U.S.C. 306 4
35 U.S.C. 307 4
American Inventors Protection Act, Pub. L. No. 106-113, Div. B, § 1000(a)(9), 113 Stat. 1536, 1501A-567, Sec. 4604(a) (codified as amended 35 U.S.C. 311-318 (2006)) 4
35 U.S.C. 311 (2006) 4
35 U.S.C. 311-318 (2006) 4, 22
35 U.S.C. 312 (2006) 4, 12a
35 U.S.C. 312(a) (2006) 4, 48, 2a
35 U.S.C. 312(c) (2006) 4, 48, 12a
35 U.S.C. 314(a) (2006) 26
35 U.S.C. 317 (2006) 48
Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) 4
§ 18(a)(1), 125 Stat. 329 6
§ 18(a)(3)(A), 125 Stat. 330 6
35 U.S.C. 311(a) 29
35 U.S.C. 311(b) 31, 41
35 U.S.C. 311-319 5
35 U.S.C. 312 ..... 48, 2a
35 U.S.C. 312(a) 49, 2a
35 U.S.C. 312(a)(3) 26, 2a

Statutes and regulations—Continued: Page

35 U.S.C. 314 ..... 6, 8, 35, 43, 45, 3a
35 U.S.C. 314(a) 5, 47, 48, 49, 51, 3a
35 U.S.C. 314(d) ..... *passim*, 3a
35 U.S.C. 315(a) 48, 49, 4a
35 U.S.C. 315(b) 49, 4a
35 U.S.C. 315(d) 42, 5a
35 U.S.C. 316 ..... 37, 6a
35 U.S.C. 316(a)(1)-(13) 35, 6a-8a
35 U.S.C. 316(a)(2) 11, 38, 51, 6a
35 U.S.C. 316(a)(3) 11, 37, 6a
35 U.S.C. 316(a)(4) ..... *passim*, 7a
35 U.S.C. 316(a)(5) 30, 38, 7a
35 U.S.C. 316(a)(9) 24, 26, 38, 7a
35 U.S.C. 316(a)(11) 5, 8a
35 U.S.C. 316(b) 36, 42, 8a
35 U.S.C. 316(d) 7, 26, 9a
35 U.S.C. 316(d)(1) 24, 25, 9a
35 U.S.C. 316(d)(2) 24, 9a
35 U.S.C. 316(d)(3) 25, 9a
35 U.S.C. 316(e) 7, 31, 38, 41, 9a
35 U.S.C. 317(a) 30, 9a
35 U.S.C. 318(a) 6, 8, 27, 44, 10a
35 U.S.C. 318(b) 24, 25, 11a
35 U.S.C. 318(c) 24, 11a
35 U.S.C. 319 ..... *passim*, 12a
35 U.S.C. 321 6
35 U.S.C. 324(e) 46
35 U.S.C. 329 46
5 U.S.C. 704 45
35 U.S.C. 2(a)(1) 17

Statutes and regulations—Continued: Page

35 U.S.C. 2(b) 36, 37, 40
35 U.S.C. 2(b)(2)(A) 36
35 U.S.C. 101 39
35 U.S.C. 102 ..... 2, 30
35 U.S.C. 102(a)(1) 31
35 U.S.C. 103 ..... 2, 7, 11, 30
35 U.S.C. 112(a) 8
35 U.S.C. 131 ..... 2, 17
35 U.S.C. 132(a) 2, 3
35 U.S.C. 134(a) 3
35 U.S.C. 135(a) (2006) 20
35 U.S.C. 141 3
35 U.S.C. 141(c) 9
35 U.S.C. 143 30
35 U.S.C. 145 3
35 U.S.C. 154(a)(1) 2
35 U.S.C. 251 20
35 U.S.C. 282(a) 6, 19
37 C.F.R.:
Pt. 1:
Section 1.104(a)(1) 2
Section 1.111(b) 3
Section 1.111(c) 3
Section 1.113(a) 3
Section 1.311(a) 3
Pt. 41:
Section 41.200(b) (2009) 21
Pt. 42:
Section 42.4 5
Section 42.100(b) ..... *passim*, 13a

Regulations—Continued: Page

Section 42.121(a) 25, 14a
Section 42.121(a)(2)(i) 25, 15a
Section 42.200(b) 6
Section 42.300(b) 6

Miscellaneous:

Black's Law Dictionary (10th ed. 2014) 38
145 Cong. Rec. 26,984 (1999) 32
154 Cong. Rec. 22,625 (2008) 33
157 Cong. Rec. (2011):
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In the Supreme Court of the United States

No. 15-446

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE RESPONDENT

OPINIONS BELOW

The amended opinion of the court of appeals (Pet. App. 1a-47a) is reported at 793 F.3d 1268. The decision of the Patent Trial and Appeal Board (Pet. App. 109a-167a) is reported at 108 U.S.P.Q.2d 1852.

JURISDICTION

The amended judgment of the court of appeals was entered on July 8, 2015, and a petition for rehearing was denied on the same day (Pet. App. 48a-49a). The petition for a writ of certiorari was filed on October 6, 2015. This Court granted the petition on January 15, 2016. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

STATUTORY AND REGULATORY PROVISIONS INVOLVED

Pertinent statutory and regulatory provisions are reprinted in the appendix to this brief. App., *infra*, 1a-16a.

STATEMENT

1. a. A United States patent confers "the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States." 35 U.S.C. 154(a)(1). Patent rights "exist only by virtue of statute." *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 229 n.5 (1964). Because "a patent is an exception to the general rule against monopolies and to the right to access to a free and open market," the public has "a paramount interest in seeing that patent monopolies * * * are kept within their legitimate scope." *Precision Instrument Mfg. Co.* v. *Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945).

When an inventor applies for a patent, an examiner at the United States Patent and Trademark Office (PTO) with expertise in the relevant technological fields analyzes the application and the invention it describes, as well as the prior art in those fields, to determine whether the statutory requirements for patentability are satisfied. 35 U.S.C. 131; 37 C.F.R. 1.104(a)(1). If the examiner determines that a proposed claim is not patentable—for example, because it is anticipated by, or obvious in light of, the prior art, see 35 U.S.C. 102, 103—the examiner rejects the claim and notifies the applicant of "the reasons for such rejection." 35 U.S.C. 132(a). In order to overcome the examiner's objections, the applicant may amend the patent claims, which are then subject to further exam-

ination. 35 U.S.C. 132(a); 37 C.F.R. 1.111(b) and (c). The applicant may also submit arguments that explain why and how the claimed invention differs from the prior art. See 35 U.S.C. 132(a); 37 C.F.R. 1.111(b). This iterative process generally occurs twice, culminating in the issuance of either a notice of allowance or a final rejection. 37 C.F.R. 1.113(a), 1.311(a). An applicant may appeal a final rejection within the PTO and seek judicial review of its final decision. 35 U.S.C. 134(a), 141, 145.

b. Congress has also long authorized the PTO to review previously issued patents and to cancel patent claims that the agency determines were improperly approved (if, for instance, the examiner was unaware of prior art that would have caused the application to be rejected as anticipated or obvious).

Congress authorized the agency to revisit the patentability of claims in issued patents in 1980 when it enacted the *ex parte* reexamination scheme, which remains in effect today. See Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 (codified as amended at 35 U.S.C. 301-307). In an *ex parte* reexamination, "[a]ny person at any time" may call the PTO's attention to prior art "bearing on the patentability of any claim of a particular patent" and may "file a request for reexamination." 35 U.S.C. 301(a)(1), 302. The Director of the PTO will then "determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request." 35 U.S.C. 303(a). Alternatively, the Director may undertake such an inquiry "[o]n [her] own initiative" with respect to any patent at "any time." *Ibid.* If the Director finds that the cited prior art raises a substantial new question of patentability, the PTO will reexamine the pa-

tent and, if the claims are unpatentable, order them cancelled. 35 U.S.C. 304, 307. Although a final decision of the PTO adverse to the patentee in a reexamination is appealable to the Federal Circuit, 35 U.S.C. 306, the determination by the Director "that no substantial new question of patentability has been raised [is] final and nonappealable." 35 U.S.C. 303(c).

In 1999, responding to proposals to allow third parties a greater role in identifying erroneously issued patents, Congress created *inter partes* reexaminations. See American Inventors Protection Act, Pub. L. No. 106-113, Div. B. § 1000(a)(9), 113 Stat. 1536, 1501A–567 (Sec. 4604(a)) (codified as amended at 35 U.S.C. 311-318 (2006)). Under that now-superseded process, a third party that requested reexamination enjoyed a greater opportunity to participate in the PTO's reexamination and, after 2002, in any subsequent appeal. See *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1332 (Fed. Cir. 2008). As with *ex parte* reexaminations, Congress authorized the PTO to institute an *inter partes* reexamination only if the request raised "a substantial new question of patentability." 35 U.S.C. 311, 312 (2006). Congress specified that the PTO's threshold determination about whether such a question had been raised would be "final and nonappealable." 35 U.S.C. 312(a) and (c) (2006).

2. a. In 2011, the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284, substantially expanded the procedures by which the PTO could reconsider the patentability of claims in issued patents. As with the previous post-issuance reexamination proceedings, which were intended to "serve as an effective and efficient alternative to often costly and protracted district court litigation," the AIA's new

proceedings were again designed as "quick and cost effective alternatives to litigation." H.R. Rep. No. 98 Pt. 1, 112th Cong., 1st. Sess. 45, 48 (2011) (*House Report*). Congress also sought to provide "a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court." *Id.* at 48.

The AIA left in place the longstanding *ex parte* reexamination process, but replaced *inter partes* reexamination with *inter partes* review, a proceeding initiated by a third-party challenger and conducted before the newly created Patent Trial and Appeal Board (Board). See 35 U.S.C. 311-319. The AIA altered the threshold showing necessary for the PTO to institute such a proceeding, from a "substantial new question" to "a reasonable likelihood that the petitioner would prevail," 35 U.S.C. 314(a), and directed the PTO to impose strict timelines for completion of the review, 35 U.S.C. 316(a)(11). See *House Report* 46-47.

Congress also broadly authorized the PTO to promulgate rules implementing the AIA's new administrative-review schemes. The PTO may "prescribe regulations" that, *inter alia*, "establish[] and govern[]" *inter partes* review proceedings and specify "the relationship of such review to other proceedings under this title." 35 U.S.C. 316(a)(4). Following notice and comment, the PTO promulgated a substantial set of regulations governing *inter partes* reviews, along with general rules of practice before the Board. See generally 37 C.F.R. Pt. 42. Those rules delegate to the Board the Director's authority to determine whether to institute particular proceedings. See 37 C.F.R. 42.108; see also 37 C.F.R. 42.4. As relevant here, they also provide that, during an *inter partes* review, "[a]

claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. 42.100(b).[1]

b. Under the statutory and regulatory scheme described above, *inter partes* review proceedings (like *inter partes* reexaminations) unfold in two stages. First, the Board makes a threshold decision whether to institute review. See 35 U.S.C. 314; 37 C.F.R. 42.108. If the Board determines that *inter partes* review is appropriate, it subsequently issues a final written decision addressing the patentability of the claims at issue. 35 U.S.C. 318(a). Although the Board's final written decision with respect to patentability is subject to direct appeal to the Federal Circuit, see 35 U.S.C. 318(a), 319, the AIA states that the threshold decision "whether to institute" an *inter partes* review "shall be final and nonappealable." 35 U.S.C. 314(d).

Inter partes review proceedings differ from district-court infringement litigation in ways that sometimes benefit challengers and sometimes benefit patentees. Unlike in district court, where an issued patent enjoys a statutory presumption of validity that can be overcome only by clear and convincing evidence, see 35

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[1] The AIA established other entirely new procedures that are not directly at issue in this case: "post-grant review," 35 U.S.C. 321, and a special "transitional post-grant review proceeding for review of the validity of covered business method patents" (which would be available for only eight years), AIA § 18(a)(1) and (3)(A), 125 Stat. 329, 330. Those proceedings parallel *inter partes* review in many ways, and the Board has similarly prescribed that, in such proceedings, a patent's claims are to be given their "broadest reasonable construction in light of the specification." 37 C.F.R. 42.200(b), 42.300(b).

U.S.C. 282(a); *Microsoft Corp.* v. *i4i Ltd. P'ship*, 564 U.S. 91 (2011), the challenger in an *inter partes* review has "the burden of proving a proposition of unpatentability by a preponderance of the evidence." 35 U.S.C. 316(e). On the other hand, while patent claims are fixed and unalterable during district-court litigation, the patent owner in *inter partes* review "may file 1 motion to amend the patent," and the PTO has discretion to allow additional opportunities for amendment. 35 U.S.C. 316(d).

3. Petitioner owns U.S. Patent No. 6,778,074 (the '074 patent), which claims an interface for displaying both a vehicle's speed and the speed limit associated with its location. Pet. App. 1a-2a. In 2012, Garmin International, Inc. and Garmin USA, Inc. (Garmin) petitioned for *inter partes* review of claims 1-20 in the '074 patent. *Id.* at 3a, 169a.

In a January 2013 decision, the Board concluded that Garmin had not established a reasonable likelihood of prevailing on most of its assertions of invalidity. Pet. App. 168a, 182a-196a. The Board determined, however, that Garmin had established a reasonable likelihood of prevailing on its contention that claim 17 was unpatentable, under 35 U.S.C. 103, as obvious in light of two sets of prior art identified by Garmin. Pet. App. 187a-188a, 192a. The Board further recognized that claim 17 depends on claim 14, which itself depends on claim 10. *Id.* at 188a, 192a. Because "dependent claims include all of the features of the claims on which they depend," the Board found that Garmin's petition "implicitly" included obviousness challenges to claims 10 and 14 on the basis of the same prior art. *Id.* at 188a, 192a-193a. The Board therefore determined that Garmin had shown a reasonable likelihood of demon-

strating that those claims were invalid as well. *Ibid.* The Board granted the petition to institute *inter partes* review, limited to the obviousness challenges to claims 10, 14, and 17. *Id.* at 196a-197a.

The Board then conducted a full *inter partes* review proceeding on the merits. In November 2013, the Board issued its final written decision, Pet. App. 109a-167a, in which it gave the claims at issue their broadest reasonable construction in light of the patent's specification, *id.* at 117a. The Board concluded that, so construed, the claims were obvious over the prior art. *Id.* at 163a. It therefore ordered that the claims be cancelled. *Id.* at 166a.

Although petitioner had moved to amend the claims, the Board denied petitioner's motion. Pet. App. 167a. It concluded that petitioner's proposed substitutes failed to satisfy the written-description requirement of 35 U.S.C. 112(a), and that the amendments would have impermissibly enlarged the scope of the claim language by covering a structure that would not have been covered by claims 10, 14, and 17. Pet. App. 165a-167a.

4. The court of appeals affirmed. Pet. App. 1a-30a.

a. The court of appeals first held that petitioner could not challenge the Board's decision to institute review with respect to claims 10 and 14. Pet. App. 5a-11a. The court explained that *inter partes* reviews "proceed in two phases." *Id.* at 5a. "In the first phase, the PTO determines whether to institute" review. *Ibid.*; see 35 U.S.C. 314. "In the second phase, the Board conducts the [review] proceeding and issues a final decision." Pet. App. 5a; see 35 U.S.C. 318(a).

The court of appeals recognized that petitioner may obtain judicial review of the Board's "final written

decision." Pet. App. 7a (quoting 35 U.S.C. 319). The court held, however, that it lacked authority to review the Board's prior decision to institute the *inter partes* review because 35 U.S.C. 314(d) makes that decision "final and nonappealable." Pet. App. 7a. The court noted that other provisions (specifically, 35 U.S.C. 141(c) and 319) "already limit appeals to appeals from final decisions." Pet. App. 7a. The court inferred that, "[b]ecause § 314(d) is unnecessary to limit interlocutory appeals, it must be read to bar review of all institution decisions, even after the Board issues a final decision." *Ibid.*[2]

b. The court of appeals then held that, in promulgating 37 C.F.R. 42.100(b), the PTO has reasonably required the Board in an *inter partes* review to give patent claims their "broadest reasonable construction." Pet. App. 11a-21a. The court noted that no section of the Patent Act "explicitly provides that the broadest reasonable interpretation standard shall or shall not be used in any PTO proceedings." *Id.* at 12a-13a. The court explained, however, that this standard has, with judicial approval, "been applied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings," including in "every PTO proceeding involving unexpired patents." *Id.* at 13a-14a. The court found "no indication that the AIA was

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[2] The court of appeals left open the question whether, in a case where the "PTO ha[d] clearly and indisputably exceeded its authority," the agency's decision to institute a review proceeding could be "reviewable by mandamus after the Board issues a final decision." Pet. App. 9a-10a. The court concluded that, even if mandamus were available under those circumstances, petitioner was not entitled to mandamus relief because "there is no clear and indisputable right that precludes institution of the [*inter partes* review] proceeding" in this case. *Id.* at 11a.

designed to change the claim construction standard that the PTO has applied for more than 100 years." *Id.* at 15a.

Petitioner contended that past practice is inapposite here because a patentee's ability to propose claim amendments during an *inter partes* review is materially narrower than a patent applicant's ability to amend claims during other PTO proceedings. Pet. App. 15a-16a. In rejecting that argument, the court explained that the Board had disallowed petitioner's own proposed amendments because they would have enlarged the scope of the claims. *Id.* at 17a. The court observed that, because "post-issuance broadening" of claims has "long been" barred during other PTO proceedings "for which precedent approved use of the broadest reasonable construction," petitioner's inability to amend was unrelated to the *inter partes* review posture. *Ibid.* It therefore concluded that any challenge to restrictions on amendment "must await another case." *Ibid.*

The court of appeals further held that, although *inter partes* review "may be said to be adjudicatory rather than an examination," that fact does not undermine "[t]he inference of congressional approval of the longstanding PTO construction standard." Pet. App. 17a. The court explained that "[t]he repeatedly stated rationale for using the broadest reasonable interpretation standard—that claim language can be modified when problems are identified in the PTO—does not turn on whether the PTO identifies the problems by adjudication or by examination." *Id.* at 17a-18a (citation omitted).

The court of appeals further concluded that, even if Congress had not implicitly endorsed the use of the broadest-reasonable-construction standard, the PTO's

adoption of that approach was a valid exercise of its rulemaking authority. Pet. App. 18a-21a. The PTO is authorized to establish regulations "setting forth the standards for the showing of sufficient grounds to institute a review" and "establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title." 35 U.S.C. 316(a)(2) and (4). The court concluded that the agency's promulgation of 37 C.F.R. 42.100(b), which establishes a broadest-reasonable-construction standard for *inter partes* review proceedings, "is within the PTO's authority under the statute" because it "affects both the PTO's determination of whether to institute [*inter partes* review] proceedings and the proceedings after institution." Pet. App. 18a-19a. The court also held that, even assuming the statute is silent about the proper standard, the agency's approach reflects "a reasonable interpretation of the statute" under the second step of the analysis under *Chevron U.S.A. Inc.* v. *NRDC, Inc.*, 467 U.S. 837 (1984). Pet. App. 19a.

Turning to the merits of the Board's patentability decision, the court of appeals affirmed the Board's interpretation of the contested claim language and its conclusion that the three claims under review were unpatentable as obvious under 35 U.S.C. 103. Pet. App. 21a-27a. The court also held that the Board had properly denied petitioner's motion to amend its claims because the proposed amendments would have impermissibly broadened those claims. *Id.* at 27a-29a.

c. Judge Newman dissented. Pet. App. 30a-47a. In her view, the PTO's use of the broadest reasonable construction of patent claims is inconsistent with Congress's expectation that *inter partes* review would be a

surrogate for district-court litigation, in which a different interpretive method would be used. *Id.* at 32a-45a. Judge Newman also would have held that Section 314(d) prevents only "interlocutory delay and harassing filings," and therefore does not "preclude judicial review of whether" the PTO correctly applied statutory criteria when determining whether to institute an *inter partes* review. *Id.* at 46a.

5. The court of appeals denied rehearing en banc. Pet. App. 48a-49a. Judge Dyk, joined by three judges, concurred in the denial of rehearing. He concluded that, "[i]n the absence of evidence of congressional intent to abrogate the broadest reasonable interpretation standard," the court "should not act to adopt a different standard based on our own notions of appropriate public policy." *Id.* at 52a.

Five judges jointly dissented from the denial of rehearing en banc. Pet. App. 52a-61a. They recognized that the statute is silent about the claim-construction rule that Congress intended the PTO to use in *inter partes* review. *Id.* at 52a-54a. In light of the adjudicative nature of *inter partes* review proceedings, however, the dissenters found it "unclear * * * why the district court standard [of claim construction] should not apply." *Id.* at 54a-57a. They would have held that, because *inter partes* review involves "an already issued claim," disputed claim language should be construed "as in district court litigation." *Id.* at 60a-61a.

Judge Newman filed a separate dissent from the denial of rehearing en banc. Pet. App. 61a-67a. She reiterated her view that, in "post-issuance review," the PTO should "apply the claim construction that is applied by the courts" rather than the broadest reasonable construction. *Id.* at 61a.

SUMMARY OF ARGUMENT

I. The PTO acted appropriately in promulgating a published regulation that mandates use of the broadest reasonable construction of disputed patent claims during *inter partes* reviews.

The PTO has long applied the broadest-reasonable-construction standard in a variety of administrative contexts, including but not limited to the initial examination of patent applications. The common feature of the agency proceedings in which that interpretive method has been applied, and the core rationale for its use in those various settings, is that the patent applicant or patentee may still amend its claims to disavow the broader reading if that reading does not reflect its actual intent. Although the right to amend claims during *inter partes* reviews is more limited than in the initial examination process, the opportunity to amend remains available, and the restrictions on potential amendments are comparable to those that apply in other post-issuance proceedings in which the agency has long used the broadest-reasonable-construction method.

Like other established interpretive techniques, the broadest-reasonable-construction method is used to choose among plausible readings of disputed claim terms, not as a ground for disregarding a claim's clear language. Petitioner contends that the PTO's approach is invalid because *inter partes* review is intended to function as a surrogate for district-court litigation, and district courts in infringement or declaratory-judgment suits do not use the broadest-reasonable-construction standard. In a variety of other respects, however—most notably, in its use of a preponderance standard for establishing that a contested claim is

unpatentable—the AIA directs that *inter partes* review will depart from district-court practice in ways that will be outcome-determinative in at least some cases. Although *inter partes* review serves in part to reduce the need for expensive and time-consuming litigation, Congress did not anticipate or intend that it would always produce the same patentability determination that a district court would make.

The AIA vests the PTO with broad rulemaking authority, including the power to issue regulations "establishing and governing inter partes review." 35 U.S.C. 316(a)(4). The PTO's promulgation of a published rule mandating use of the broadest-reasonable-construction standard during *inter partes* reviews of unexpired patents is entitled to judicial deference as a reasonable exercise of that authority. Although Congress has declined to authorize the PTO to issue rules interpreting the substantive patentability criteria established by the Patent Act, the regulation at issue here does not have that effect. It simply resolves an interstitial issue, not specifically addressed by Congress, concerning the proper conduct of *inter partes* proceedings. The agency reasonably and appropriately concluded that, although *inter partes* review differs in meaningful respects from initial examination (and from prior forms of post-issuance reexamination), the patentee's continuing ability to amend its claims renders *inter partes* review more analogous for this purpose to initial examination and reexamination than to district-court litigation.

II. The AIA states that the PTO's decision "whether to institute" an *inter partes* review is "final and nonappealable." 35 U.S.C. 314(d). That provision unambiguously forecloses judicial scrutiny of the

Board's threshold determination that the petition before it in this case, which alleged that claim 17 of petitioner's patent was obvious in light of particular prior art, implicitly called into question the two claims on which claim 17 depended.

Petitioner principally contends that Section 314(d) bars only *interlocutory* appeals from the Board's threshold determinations to institute *inter partes* review proceedings, while allowing such determinations to be challenged in an appeal from a final Board decision as to patentability. The language of the provision, which declares the institution decision to be both "final" and "nonappealable," does not support that reading. And because the Board's institution decision would not be subject to immediate judicial review under background principles of administrative law, petitioner's approach would deprive Section 314(d) of any operative legal effect.

The conclusion that the Board's institution decision is unreviewable is particularly clear when Section 314(d) is contrasted with more limited preclusion-of-review provisions contained in prior patent laws. Moreover, giving Section 314(d) its plain meaning ensures that the PTO's ultimate patentability determinations are subject to judicial scrutiny, while preventing patent owners from reviving concededly invalid patents based on threshold questions regarding the initiation of the agency's review process—an outcome entirely consistent with Congress's intention that the AIA should improve patent quality. In any event, the Board's decision to institute an *inter partes* review with respect to claims 10 and 14 as well as claim 17 should be upheld even if judicial review of that decision is available.

ARGUMENT

I. THE PTO APPROPRIATELY DECIDED TO APPLY ITS BROADEST-REASONABLE-CONSTRUCTION STANDARD IN *INTER PARTES* REVIEW PROCEEDINGS

For more than a century, whenever the PTO (or its predecessor the Patent Office) has scrutinized unexpired patent claims, the agency has given those claims their broadest reasonable construction (or broadest reasonable interpretation) consistent with the patent's specification. That practice ensures that, when a claim is ambiguous, every reasonable construction of it is consistent with the Patent Act, and the risk of overbreadth is appropriately borne by the patentee rather than the public. Cf. *Nautilus, Inc.* v. *Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014) ("[T]he patent drafter is in the best position to resolve the ambiguity in patent claims.") (citation omitted).

The court of appeals correctly recognized that, in enacting the AIA, Congress expected the PTO to scrutinize patent claims in *inter partes* reviews in the same manner that it does in all other agency proceedings involving unexpired patent claims that may still be amended. Pet. App. 12a-18a. Otherwise, the PTO would need to sustain during *inter partes* review a claim that it should never have issued in the first place, which would flout Congress's desire to "improve patent quality and limit unnecessary and counterproductive litigation costs." *House Report* 40. And even if the AIA did not implicitly approve the use of the broadest-reasonable-construction approach, the PTO is authorized to promulgate rules "establishing and governing inter partes review," 35 U.S.C. 316(a)(4), and has specified that "[a] claim in an unexpired patent shall be given its broadest reasonable construction in

light of the specification of the patent in which it appears," 37 C.F.R. 42.100(b). That PTO regulation is consistent with the statute, reasonable, and entitled to deference. Pet. App. 18a-21a.

A. Use Of The Broadest-Reasonable-Construction Standard Accords With Congress's Design For *Inter Partes* Review

Although the AIA did not explicitly address whether the Board should employ the broadest-reasonable-construction standard in *inter partes* review proceedings, the statutory framework is most consistent with that practice. Congress specified that patent claims could still be amended during an *inter partes* review, thus incorporating the principal feature that the PTO had previously invoked to justify use of the broadest-reasonable-construction standard in initial examinations and in other post-issuance administrative proceedings. Petitioner's principal concern (Br. 26-35) is that, in some cases, the standard could allow the PTO to invalidate a patent claim that would have survived in district-court litigation. But Congress gave *inter partes* review several other structural attributes—including a lower burden of proving unpatentability—that can be expected to produce similar disparities. It is therefore natural to infer that Congress expected the PTO to apply its long-established practice to this materially comparable context.

1. The PTO has long applied the broadest-reasonable-construction standard in all agency proceedings in which patent claims may still be amended

Congress has charged the PTO with the responsibility for examining patent applications and determining patentability. See 35 U.S.C. 2(a)(1), 131. Policing

the boundaries of patentability involves not only granting an inventor all that he is due, but also ensuring that the approved language in a patent claim does not encompass subject matter that properly belongs in the public domain. See *Precision Instrument Mfg. Co.* v. *Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945) (noting that the "far-reaching social and economic consequences of a patent * * * give the public a paramount interest in seeing that patent monopolies * * * are kept within their legitimate scope"). The PTO therefore has both the power and the responsibility to shift the burden of ambiguity to inventors and to require them to clarify—for the benefit of the public—the extent of their exclusive rights.

a. To that end, the PTO's long-established practice is to give unexpired patent claims under scrutiny before the agency their broadest reasonable construction (or broadest reasonable interpretation) consistent with the patent's specification. See, *e.g.*, *In re Prater*, 415 F.2d 1393, 1404-1405 (C.C.P.A. 1969); *In re Carr*, 297 F 542, 543-544 (D.C. Cir. 1924); *Podlesak & Podlesak* v. *McInnerney*, 1906 Dec. Comm'r Pat. 265, 268. That approach promotes clarity and precision in claim drafting by ensuring that patent claims comply with the statutory requirements for patentability under every reasonable reading of the claim language. It thereby seeks to foreclose the possibility that an issued patent can later be reasonably construed as encompassing *more* subject matter than the PTO intended to grant to the patentee. See *Prater*, 415 F.2d at 1404-1405 (explaining that this approach "reduce[s] the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified"). That serves the "public interest" without com-

promising the interests of the patent applicant, who can amend his claim to avoid the overbroad reading. *Id.* at 1405 n.31. As the Commissioner of Patents put it in 1906: "Where a limited meaning is intended when a claim is drawn, what possible objection can there be to imposing that meaning unmistakably upon the claim by its express terms?" *Podlesak*, 1906 Dec. Comm'r Pat. at 268; see *Carr*, 297 F at 543-544 (D.C. Circuit stating in 1924 that, before a patent has issued, "there is no reason * * * why an applicant * * * should not draw his claims to cover his actual invention only").

The broadest-reasonable-construction approach differs from the interpretive method that a district court would use to construe disputed patent claims in the context of an infringement suit. When confronted with an ambiguity in a patent claim, rather than apply the broadest reasonable construction, a court must, if possible, resolve an "ambiguity in the claim language * * * in a manner that would preserve the patent's validity." *Phillips* v. *AWH Corp.*, 415 F.3d 1303, 1327 (Fed. Cir. 2005) (en banc), cert. denied, 546 U.S. 1170 (2006). The use of different interpretive approaches follows logically from two critical differences between agency and judicial proceedings.

First, unlike the PTO, a court construing an ambiguous patent claim cannot invite the patentee to resolve the ambiguity by making clarifying amendments to the claim language. See *Prater*, 415 F.2d at 1404 n.30; *Carr*, 297 F at 543. Second, Congress has required the courts to presume that an issued patent is valid, see 35 U.S.C. 282(a), and any defense of invalidity therefore must be proved by clear and convincing evidence, *Microsoft Corp.* v. *i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011). That statutory presumption of validity in

district-court litigation reflects "the basic proposition" taken from the common law that the PTO "was presumed to do its job" in granting the patent. *Id.* at 97 (citation omitted); see *Klein* v. *Russell*, 86 U.S. (19 Wall.) 433, 466 (1873) (explaining that claims are to be construed "so as to sustain the patent and the construction claimed by the patentee," because "[i]t is to be presumed the [patent] commissioner did his duty" and did not issue an overbroad patent inconsistent with the statute).

b. The broadest-reasonable-construction approach was originally associated with the Patent Office's initial examinations of patent applications (*i.e.*, examinations conducted before a patent was issued). By the time the AIA was enacted in 2011, however, the PTO, with repeated judicial approval, had adopted the same approach in several other kinds of administrative proceedings involving already-issued patents.

In reissue proceedings under 35 U.S.C. 251, a patentee may seek to correct (and, within the first two years after the patent's issuance, broaden) the claim language of an issued patent to conform to what the patentee actually invented and described in the patent specification. The PTO adopted the broadest-reasonable-construction standard for consideration of reissue requests, and that practice was sustained by the Court of Customs and Patent Appeals. See *In re Reuter*, 670 F.2d 1015, 1019 (1981).

A patent interference proceeding under former 35 U.S.C. 135(a) (2006) was a contest between a pending patent application and another pending application or an issued patent, in which the PTO determined "questions of priority of the inventions and * * * questions of patentability." The PTO specified that, in such a

proceeding, "[a] claim shall be given its broadest reasonable construction in light of the specification of the application *or patent* in which it appears." 37 C.F.R. 41.200(b) (2009) (emphasis added); see *Harari* v. *Lee*, 656 F.3d 1331, 1340 (Fed. Cir. 2011) (applying that standard in appeal from interference); *Brenzinger* v. *Thornburgh*, 286 F 637, 638-639 (D.C. Cir. 1923) (same).

In 1980, Congress provided for *ex parte* reexamination, the first administrative mechanism by which the PTO could reconsider the validity of the claims in an issued patent at the request of a third party (or on the Director's own motion). See Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 (codified as amended at 35 U.S.C. 301-307). Following its practice in reissue proceedings, the PTO explained that it would also use the broadest-reasonable-construction approach in the *ex parte* reexamination proceedings. See *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). The Federal Circuit rejected a patentee's assertion that the PTO should instead be "require[d] * * * to apply a rule of claim construction adopted by Federal District Courts when the validity of an issued patent is in question." *Ibid.* The court explained that the patentee would "be permitted to propose any amendment to his patent," and that the patentee's opportunity to make "his claims * * * correspond with his contribution to the art" justified application of the broadest-reasonable-construction standard. *Id.* at 1572 (citation omitted).

Congress later created *inter partes* reexamination, which gave third parties who submitted reexamination requests an expanded role in persuading the PTO to cancel issued patent claims, such as by responding in writing to PTO actions and to the patent owner's fil-

ings. See 35 U.S.C. 311-318 (2006). Again, the PTO gave patent claims in *inter partes* reexaminations their broadest reasonable construction so as to ensure that any patent claim that survived the reexamination could not reasonably be construed to encompass the prior art. See *Leo Pharm. Prods., Ltd.* v. *Rea*, 726 F.3d 1346, 1352 (Fed. Cir. 2013) (noting and approving use of this standard in *inter partes* reexamination).

As petitioner acknowledges (Br. 22-25 & n.6), the common thread among the foregoing kinds of PTO proceedings was that, although each involved agency scrutiny of patents that had already been issued, the patentee in each context retained the ability to amend its unexpired patent claims.[3] Accordingly, the rationale that justified the adoption of the broadest-reasonable-construction approach in initial examinations was well understood to be equally applicable to post-issuance proceedings. By the time Congress enacted the AIA in 2011, the PTO had received repeated judicial approval over many decades for using that approach to ensure that patent claims are as "precise, clear, correct, and unambiguous" as possible. *In re Zletz*, 893 F.2d 319, 322 (Fed. Cir. 1989).

c. Petitioner does not and could not plausibly suggest that Congress was unaware of that historical backdrop when it created *inter partes* review. The only identified reference in the AIA's legislative history to the broadest-reasonable-construction standard reflects the assumption that the standard would apply

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[3] When the PTO is called upon to revisit an *expired* patent, it uses the ordinary district-court claim-construction standard because the expired patent may no longer be amended. See, *e.g.*, 37 C.F.R. 42.100(b); MPEP § 2258 I.G, at 2200-100 (9th ed. Rev. 7, Oct. 2015).

during *inter partes* review.[4] Petitioner identifies two purported grounds for concluding that the rationale for the broadest-reasonable-construction approach does not apply to *inter partes* review. Petitioner asserts (Br. 29) that Congress "eliminat[ed]" the right to amend patent claims during *inter partes* review. Petitioner also argues (Br. 33) that Congress intended such review to be a "surrogate" for district-court litigation, and that *inter partes* review would not serve that purpose if the PTO and a district court could reach "different validity decision[s] regarding the same invention."

As discussed below, those characterizations of *inter partes* review are inconsistent with the statutory framework.

2. By authorizing the patentee to amend its claims during* inter partes *review, Congress incorporated the principal feature that had long justified use of the broadest-reasonable-construction standard

Petitioner contends (Br. 29) that the broadest-reasonable-construction approach is "inimical" to *inter partes* review because of "Congress's elimination of the right to amend claims" in such proceedings. That

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[4] On the floor of the Senate, Senator Kyl defended the proposal (ultimately enacted as 35 U.S.C. 301(a)(2)) to allow a patentee's written statements about a claim's scope, if made to the PTO or to a court, to "be considered in reexaminations and inter partes and post-grant reviews for purposes of claim construction." 157 Cong. Rec. 3428 (2011). He noted that such statements should "allow the [PTO] to identify inconsistent statements made about claim scope—for example, cases where a patent owner successfully advocated a claim scope in district court that is broader than the 'broadest reasonable construction' that he now urges in an inter partes review." *Ibid.*

argument rests on a mistaken premise. Far from "eliminat[ing]" a patentee's ability to amend claims, the statute authorizes a patentee in *inter partes* review to propose amendments, and it allows the PTO to issue certificates incorporating amended claims into the previously issued patent.

a. "During an inter partes review * * * , the patent owner may file 1 motion to amend the patent," and "[a]dditional motions to amend may be permitted" in specified circumstances, including "as permitted by regulations prescribed by the Director." 35 U.S.C. 316(d)(1) and (2). Such regulations must "set[] forth standards and procedures for allowing the patent owner to move to amend the patent * * * to cancel a challenged claim or propose a reasonable number of substitute claims." 35 U.S.C. 316(a)(9).

Other provisions address the consequences of an amendment or claim substitution. Members of the public who might be prejudiced by an amendment or substitution are given intervening rights (as also occurs in reissuance and reexamination proceedings). 35 U.S.C. 318(c). The statute requires the PTO's regulations to "ensur[e] that any information submitted by the patent owner in support of any amendment * * * is made available to the public as part of the prosecution history of the patent." 35 U.S.C. 316(a)(9). When the *inter partes* review is complete and any appeals have been exhausted, the PTO must "issue and publish a certificate * * * incorporating in the patent * * * any new or amended claim determined to be patentable." 35 U.S.C. 318(b).

b. Despite those provisions for claim amendments in *inter partes* review, petitioner suggests (Br. 29) that the amendment process is unduly constricted and

therefore meaningless. It is true that the patentee may file only one motion as of right and cannot use an amendment to enlarge the scope of the claim at issue, 35 U.S.C. 316(d)(1) and (3); that the PTO may deny an amendment that "does not respond to a ground of unpatentability involved in the [*inter partes* review]," 37 C.F.R. 42.121(a)(2)(i); and that the patent owner must "confer[] with the Board" before filing the motion to amend, 37 C.F.R. 42.121(a). But none of those limitations suggests that Congress intended effectively to foreclose amendments.

The need to confer simply provides notice to the Board that the patentee wishes to propose an amendment and allows the Board to provide guidance about "how the filing of the motion will impact the schedule" for the proceeding. 77 Fed. Reg. 48,766 (Aug. 14, 2012). The Board cannot refuse to consider a timely motion for amendment. *Id.* at 48,690. Limiting any amendment to the grounds of unpatentability at issue does not prejudice the patentee, because any use of the broadest-reasonable-construction approach in the proceeding is similarly limited. And the patentee must file a motion—rather than unilaterally amend the claim—because the patent has already been issued. No amendment can take effect until the "amended claim" has been "determined to be patentable" by the Board in a decision that is subject to judicial review. 35 U.S.C. 318(b); see *Microsoft Corp.* v. *Proxyconn, Inc.*, 789 F.3d 1292, 1307-1308 (Fed. Cir. 2015).[5]

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[5] Petitioner further suggests (Br. 29) that a patentee's opportunity to amend its claims during *inter partes* review comes before it knows the basis of a claim's potential overbreadth. In an *inter partes* review, however, the owner is responding to a petition that "identifies, in writing and with particularity, each claim challenged,

The restrictions on potential amendments that petitioner identifies are comparable to those that apply in the other post-issuance reviews that petitioner associates with the examinational model. In an *ex parte* reexamination, a patent owner is permitted only to "propose" amendments, must do so in response to the prior art or ground of patentability at issue, and cannot "enlarg[e] the scope of a claim." 35 U.S.C. 305. Similar limitations on amendments were applicable in *inter partes* reexaminations and in interferences. See 35 U.S.C. 314(a) (2006); MPEP § 2308.02, at 2300-22 (8th ed. Rev. 4, Oct. 2005). The "absolute" "right" to amend "at the will of the applicant" (Pet. Br. 13, 22, 29) that petitioner finds to be missing from *inter partes* review is associated only with initial examinations. As the court of appeals correctly explained, there is no "restriction on amendment opportunities that materially distinguishes [*inter partes* review] proceedings

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[and] the grounds on which the challenge to each claim is based." 35 U.S.C. 312(a)(3). The petition must further supply "the evidence that supports the grounds for the challenge to each claim, including—(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and (B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions." *Ibid.* The patentee is thus well aware of the alleged basis for unpatentability by the time the PTO institutes review and before the patentee is required to respond and (if it wishes) move to amend its claims. See 35 U.S.C. 316(a)(9) (contemplating patent-owner response after review is instituted); 35 U.S.C. 316(d) (providing for opportunity to amend after institution). In addition, patentees can, and often do, argue that their claims are valid as originally issued, while simultaneously offering to amend those claims if the Board concludes the original claims are unpatentable. See, *e.g.*, *Reg Synthetic Fuels LLC* v. *Neste Oil OYJ*, No. IPR2014-192, 2015 WL 3609359, at *1-*2 (P.T.A.B. June 5, 2015) (granting "contingent [m]otion to [a]mend").

from their predecessors in the patent statute." Pet. App. 16a.

c. Petitioner suggests (Br. 29-30) that, in its actual post-AIA practice, the PTO has been unduly restrictive in considering motions to amend patent claims in *inter partes* review. Such post-enactment events, however, provide no meaningful evidence of Congress's intent with respect to the question presented here. If the Board abuses its discretion in denying a motion to amend, the proper remedy is for the Federal Circuit to set aside that denial on direct appeal, see 35 U.S.C. 318(a), 319, not to preclude the Board from using the broadest-reasonable-construction approach when evaluating patentability. Here, the court below reviewed the Board's denial of petitioner's motion to amend and found no error, Pet. App. 27a-30a, and petitioner does not challenge that aspect of its decision.

3. Like other established interpretive rules, the broadest-reasonable-construction method is used to choose among interpretations that are consistent with the text of the disputed claim and with the specification

Petitioner repeatedly seeks to contrast the broadest reasonable construction of disputed claim language with its "true" (Br. 19) or "plain" (Br. 23) meaning, or with "what claims *actually* mean" (Br. 17). In fact, as its name indicates, the PTO's broadest-reasonable-construction method is used only to choose among "reasonable" interpretations of disputed claim language, *i.e.*, interpretations that are consistent with the text of the claim and with the specification.

In a variety of contexts, courts use similar interpretive rules to choose among plausible constructions of ambiguous language, rather than simply adopt the most likely or most natural reading of the text. Thus,

courts routinely apply the canons that ambiguous statutes should be read so as to avoid constitutional difficulties; that ambiguities in criminal laws should be resolved in the defendant's favor; or that ambiguous contract provisions should be construed against the drafter. A court applying such canons is not disregarding the statute's "true" or "plain" meaning, but is simply taking ancillary objectives into account in deciding which plausible reading to adopt.

Indeed, the interpretive method that *courts* employ in construing ambiguous patent claims—the method that petitioner holds up as a model of how *inter partes* review should be conducted—falls comfortably within that tradition. A court confronted with ambiguous claim language does not simply adopt the reading that seems linguistically most natural. Rather, if ambiguity remains after all other interpretive tools have been exhausted, the court must if possible resolve the ambiguity "in a manner that would preserve the patent's validity." *Phillips*, 415 F.3d at 1327. If that claim-construction method is consistent with the court's duty to determine "what claims *actually* mean" (Pet. Br. 17), the PTO's use of the broadest-reasonable-construction method in *inter partes* reviews (consistent with the agency's longstanding practice in analogous circumstances where claims can still be amended) is likewise permissible.

4. Several other structural attributes demonstrate that inter partes *review was not intended simply to replicate the results of hypothetical district-court litigation*

Petitioner argues more generally (Br. 26-35) that, because *inter partes* review was intended to serve as a surrogate for district-court litigation, the PTO must

use the same standard for claim construction that a district court would apply. That argument is misconceived. Although *inter partes* review was intended to provide an alternative to costly and time-consuming litigation, it was not supposed to replicate in every instance the results that a district court would have reached. Even apart from the ability to amend claims, the statutory framework for *inter partes* review incorporates several other structural attributes—including a lower burden of proof—that distinguish it from district-court litigation.

a. Petitioner's insistence that *inter partes* review is simply district-court litigation in administrative garb is unmoored from the statutory text. To begin with, the proceedings need not have the same parties. Unlike a plaintiff in federal court, a person can request an *inter partes* review without demonstrating the concrete stake in the outcome that Article III requires. See 35 U.S.C. 311(a) (allowing petition for *inter partes* review to be filed by any "person who is not the owner of [the challenged] patent"); cf. *Consumer Watchdog* v. *Wisconsin Alumni Research Found.*, 753 F.3d 1258, 1262-1263 (Fed. Cir. 2014) (concluding that a public-interest group was entitled to request an *inter partes* reexamination in the PTO, but could not appeal the PTO's adverse decision to the Federal Circuit absent a showing of Article III standing), cert. denied, 135 S. Ct. 1401 (2015). And while a patentee in infringement litigation may avoid adjudication of the patent's validity by settling the case, it may not be able to do so in *inter partes* review. After a review is instituted, the initiating party may terminate its involvement (thereby avoiding potential estoppel effects), but the PTO may then choose between terminating the review alto-

gether and "proceed[ing] to a final written decision" about patentability and claim amendment. 35 U.S.C. 317(a).

Similarly, the PTO Director may intervene in the court of appeals to defend the Board's decision if the parties settle their dispute after the Board has ruled but patentability remains a live question. 35 U.S.C. 143. That is what happened in this case. See Pet. App. 5a & n.2 (noting that Garmin withdrew from the case "as part of a settlement agreement with [petitioner]" and that the PTO intervened). Like the ability to amend challenged patent claims (which is not available in district court), those inherent differences between *inter partes* review and traditional litigation indicate that Congress intended not simply to reduce "litigation costs," but also to "improve patent quality" in ways that are not possible in ordinary litigation. *House Report* 40.

b. To be sure, in some ways *inter partes* review more closely resembles litigation than do its administrative forebears. As petitioner notes (Br. 27), the presence of contesting private parties distinguishes *inter partes* review from some (though not all) PTO proceedings. Cf. 1 William C. Robinson, *The Law of Patents for Useful Inventions* § 54, at 87 (1890) (describing the Patent Office's function in an interference proceeding as "[a]djudicating between [r]ival [i]nventors"). In other respects *inter partes* review is similar to, but still meaningfully distinguishable from, district-court litigation. For instance, the parties may obtain discovery, but it can be limited by the PTO. See 35 U.S.C. 316(a)(5). The grounds on which patentability may be challenged in *inter partes* review (novelty or obviousness under 35 U.S.C. 102 or 103) may be raised

in district-court litigation as well, but the universe of prior art that may be considered in the *inter partes* review is more limited than it would be in district court. Compare 35 U.S.C. 311(b) (in *inter partes* review, allowing resort "only" to "prior art consisting of patents or printed publications"), with 35 U.S.C. 102(a)(1) (generally allowing reference to any invention that was previously "patented, described in a printed publication, or in public use, on sale, or otherwise available to the public").

Petitioner observes (Br. 27) that, "[a]s in district court litigation, the party challenging the patent [in an *inter partes* review] has the burden to prove that the challenged claims are invalid." The standard of proof, however, is not the same in the two proceedings. "In an inter partes review * * * the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence." 35 U.S.C. 316(e). Congress set that standard only months after this Court reaffirmed the longstanding rule that a party challenging the validity of a patent claim in litigation must carry its burden by "clear and convincing evidence." *Microsoft*, 564 U.S. at 95, 102. Just as a criminal defendant may be found not guilty and later held civilly liable for the same conduct, the PTO may reject under the preponderance standard a patent claim that a district court would not have declared invalid under the clear-and-convincing-evidence standard. Congress's evident willingness to allow that result is fatal to petitioner's basic assumption (Br. 13, 14, 17, 27-31) that *inter partes* review is intended to produce exactly the same patentability determinations that district courts would make.

c. Contrary to petitioner's contention (Br. 31-32), the legislative history does not suggest that Congress intended to preclude the use of the broadest-reasonable-construction approach in *inter partes* review. The drafters of the AIA expressed concerns about the prior administrative framework and hoped that *inter partes* review would serve as a "quick and cost effective alternative[] to litigation." *House Report* 45-46, 48. But Members of Congress expressed similar aspirations in 1980, when Congress created *ex parte* reexaminations, and in 1999, when it created *inter partes* reexaminations.[6] Since petitioner concedes that the PTO's use of the broadest-reasonable-construction approach is appropriate in those contexts, the AIA's legislative history provides no sound basis for adopting a different interpretive method in *inter partes* reviews.

From the pre-AIA period, petitioner identifies (Br. 24, 32) some criticisms of reexamination proceedings and evidence that Congress intended to shift toward an "adjudicative" model. But interference proceedings had long combined features of adjudication with the broadest-reasonable-construction approach. See pp. 20-21, 30, *supra*. And none of petitioner's sources expressed any concern about the PTO's established use of that approach in reexamination proceedings or

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[6] See H.R. Rep. No. 1307 Pt. I, 96th Cong., 2d Sess. 3-4 (1980) (anticipating that *ex parte* reexaminations would "provide a useful and necessary alternative for challengers and for patent owners to test the validity of United States patents in an efficient and relatively inexpensive manner" that would not require "recourse to expensive and lengthy infringement litigation"); 145 Cong. Rec. 26,984 (1999) (statement of Sen. Hatch) (remarking that *inter partes* reexamination was "designed to reduce litigation in district courts and make reexamination a viable, less-costly alternative to patent litigation").

identified a departure from it as something to be expected or desired.[7]

d. Acceptance of petitioner's argument would produce highly anomalous results. In enacting the AIA, Congress intended to "improv[e] patent quality" by providing "a more efficient system for challenging patents that should not have issued." *House Report* 39-40. But if the broadest-reasonable-construction standard cannot be used in *inter partes* reviews, the PTO will be required to *approve* in an *inter partes* review a patent claim that it would have *rejected* in an initial examination or reexamination considering the same prior art. That result would be particularly incongruous because, after any *inter partes* review where the district-court claim-construction standard was apparently outcome-determinative, the Director of the PTO could commence an *ex parte* reexamination of the patent "[o]n [her] own initiative," 35 U.S.C. 303(a), and cancel the claim after applying the broadest-reasonable-construction approach. By far the more

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[7] Senator Kyl's discussions of the need to shift from an "examinational" to an "adjudicative" or "oppositional" model identified several concerns about reexaminations, but did not mention the standard for claim construction. See 157 Cong. Rec. at 3428; 154 Cong. Rec. 22,625 (2008). The committee report's list of nine "improvements" that the AIA was making to *inter partes* reexaminations likewise did not suggest that Congress intended the PTO to depart from its prior interpretive approach. *House Report* 47. The law-review article that petitioner cites characterized the PTO's use of its usual standards in *inter partes* reexaminations as a "critical procedural benefit," precisely because it allowed cancellation by the PTO of a claim that would have survived a district-court challenge. Sherry M. Knowles et al., Inter Partes *Patent Reexamination in the United States*, 86 J. Pat. & Trademark Off. Soc'y 611, 611 (2004).

straightforward understanding of the statutory framework is that the PTO, during *inter partes* reviews, may follow its century-old practice of giving amendable patent claims their broadest reasonable construction.

B. The PTO Has Reasonably Exercised Its Delegated Authority In Applying The Broadest-Reasonable-Construction Standard In *Inter Partes* Review

For the foregoing reasons, the court of appeals correctly held that Congress would have expected the PTO to scrutinize patent claims in *inter partes* review under the same standard that the agency uses in all other administrative proceedings concerning unexpired patents. To the extent that the statute is ambiguous, however, the PTO has filled that gap. Following public notice and comment, it promulgated a regulation specifying that, in *inter partes* review proceedings, "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. 42.100(b). As a gap-filling measure adopted by an expert agency pursuant to an express grant of rulemaking authority, that regulation is "binding in the courts unless procedurally defective, arbitrary or capricious in substance, or manifestly contrary to the statute." *United States* v. *Mead Corp.*, 533 U.S. 218, 227 (2001). As the court of appeals correctly recognized, the PTO acted well within its authority and discretion in adopting Section 42.100(b).

1. The broadest-reasonable-construction standard is not a substantive rule beyond the PTO's delegated regulatory authority

a. The Patent Act does not explicitly address the question whether the PTO should use the broadest-

reasonable-construction approach in *inter partes* review proceedings.[8] Congress has not been silent, however, about how gaps in the statutory framework may be filled. Recognizing the need for the PTO to make interstitial choices in creating a new system for the efficient and inexpensive elimination of erroneously issued patents, Congress gave the agency multiple, broad grants of rulemaking authority to fill in the gaps. See generally 35 U.S.C. 316(a)(1)-(13).

As most relevant here, Congress empowered the agency to issue rules "establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title."

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[8] Petitioner suggests in passing (Br. 27-28) that Congress implicitly invoked the district-court claim-construction standard in 35 U.S.C. 301(d), which specifies that a patent owner's prior statements can be used "to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324." In petitioner's view (Br. 28), the reference to "the proper meaning" of a claim creates an "inference" that "Congress intended the Board to adopt the governing practice in district courts." Such an inference would be inconsistent with petitioner's overarching distinction between *inter partes* review and its predecessors, because Section 301(d) uses the phrase to refer both to *ex parte* reexamination proceedings (under Section 304) and to *inter partes* review (under Section 314).

Contrary to the suggestion of some amici (*e.g.*, 3M Amicus Br. 14), no inconsistency exists between the use in *inter partes* reviews of the broadest-reasonable-construction approach and the consideration in those proceedings of prosecution history as permitted by Section 301(d). The prosecution history of issued patents may assist the PTO in determining whether a particular interpretation of disputed claim language is reasonable, and thus in identifying the broadest reasonable construction. See *Proxyconn, Inc.*, 789 F.3d at 1298 (*inter partes* review); *In re American Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1368-1369 (Fed. Cir. 2004) (*ex parte* reexamination).

35 U.S.C. 316(a)(4). It further instructed that, "[i]n prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter." 35 U.S.C. 316(b). Congress thus left in the Director's expert hands the resolution of questions necessary to make *inter partes* review a practical success.

b. Petitioner's contrary argument rests on the assertion (Br. 35-40) that Congress authorized the PTO to issue only "procedural" rather than "substantive" rules. But nothing in Section 316 or any other provision of the AIA draws that distinction. Petitioner seeks (Br. 35-36) to derive that limit from a line of Federal Circuit decisions construing 35 U.S.C. 2(b), a different statutory grant of rulemaking authority that long predates the AIA. Section 2(b) authorizes the Director of the PTO to "establish regulations, not inconsistent with law, which * * * shall govern the conduct of proceedings in the Office." 35 U.S.C. 2(b)(2)(A). The Federal Circuit has concluded that the PTO may issue only "procedural" rules under Section 2(b), see, *e.g.*, *Merck & Co., Inc.* v. *Kessler*, 80 F.3d 1543, 1549-1550 (1996), cert. denied, 519 U.S. 1101 (1997), and that it therefore cannot use Section 2(b) to "effect[] a change in existing law or policy which affects individual rights and obligations," *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1336 (2008) (citation, internal quotation marks, and brackets omitted).

The artificial doctrinal edifice that the Federal Circuit has erected around Section 2(b) is flawed even in that context. See *Tafas* v. *Doll*, 559 F.3d 1345, 1365

(2009) (Bryson, J., concurring), reh'g en banc granted, opinion vacated, 328 Fed. Appx. 658 (Fed. Cir. 2009). "[T]he question whether the PTO is authorized to promulgate particular regulations" under Section 2(b) "does not turn on an abstract inquiry into whether a particular rule can be characterized as substantive, procedural, or interpretive. Instead, it calls on [the courts] to ask what Congress has empowered the PTO to do through rulemaking." *Ibid.* In any event, Section 2(b) is irrelevant to the proper understanding of the new, expansive rulemaking authority that Congress granted the PTO in enacting the *inter partes* review scheme.

c. Within the four corners of the AIA itself, petitioner identifies no indication that the PTO's rulemaking authority is limited to procedural matters. Petitioner starts with the caption of 35 U.S.C. 316, which refers to "Conduct of an inter partes review." In petitioner's view (Br. 36-37), the term *conduct* "naturally refers to procedure rather than substance."

Even assuming that is true, Section 316 simply illustrates that captions are often "under-inclusive[]" and "'not meant to take the place of the detailed provisions of the text.'" *Lawson* v. *FMR LLC*, 134 S. Ct. 1158, 1169 (2014) (quoting *Brotherhood of R.R. Trainmen* v. *Baltimore & Ohio R.R.*, 331 U.S. 519, 528 (1947)). Some portions of the text of Section 316 deal only with procedure. See, *e.g.*, 35 U.S.C. 316(a)(3) (authorizing regulations "establishing procedures for the submission of supplemental information"). But other portions explicitly address subjects that are not merely procedural (at least on petitioner's view). Subsection (e), for instance, prescribes the burden of proof and includes its own subcaption referring to "EVIDEN-

TIARY STANDARDS." 35 U.S.C. 316(e). Cf. *Medtronic, Inc.* v. *Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 849 (2014) (treating the burden of proving patent infringement as substantive for purposes of the Declaratory Judgment Act). Subsections (a)(5) and (9) authorize the PTO to "set[] forth *standards and procedures*" for discovery and for motions to amend the patent. 35 U.S.C. 316(a)(5) and (9) (emphasis added).

In adopting its regulation, the PTO principally relied on two portions of Subsection (a) that likewise extend beyond mere procedure. See 77 Fed. Reg. at 48,697. Subsection (a)(2) authorizes the PTO to set "standards for the showing of sufficient grounds to institute a[n inter partes] review." 35 U.S.C. 316(a)(2). Petitioner asserts (Br. 38) that the ability to set "standards" includes only "procedural rules for how a petitioner may" make its showing. But that view cannot be reconciled with the nearby references to "standards and procedures" (35 U.S.C. 316(a)(5) and (9)) or with the usual understanding of *standard*, which refers to the level or quality of showing that is necessary, not *how* it will be shown.[9] Thus, the power to set a "height standard" includes the ability to identify how tall a person or object must be, not simply to

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[9] See *Black's Law Dictionary* 1624 (10th ed. 2014) (def. 2: "A criterion for measuring acceptability, quality, or accuracy"); *Webster's Third New International Dictionary* 2223 (2002) (def. 3 b: "a definite level or degree of quality that is proper and adequate for a specific purpose"; def. 4: "something that is set up and established by authority as a rule for the measure of quantity, weight, extent, value, or quality"); 16 *Oxford English Dictionary* 505 (2d ed. 1989) (def. A.II.10.b: "A rule, principle, or means of judgement or estimation"; def. A.II.12.a: "a definite degree of any quality, viewed * * * as the measure of what is adequate for some purpose").

identify the method (*e.g.*, tape measure or yardstick) by which the measurement must be made.

Subsection (a)(4) is even more capacious, authorizing the PTO to prescribe regulations "establishing and governing inter partes review." 35 U.S.C. 316(a)(4). Petitioner contends (Br. 38) that this provision must have been intended as a "catch-all for rules not specifically covered by other paragraphs," but that it is still only "a *procedural* catch-all." Even apart from the oddity of presuming that the fourth item on a 13-item list is the catchall, petitioner's proposed limitation ignores the fact that other items on the list extend beyond procedural matters.

d. Petitioner contends (Br. 36) that Congress considered and rejected proposals to grant the PTO "substantive" rulemaking authority. That debate, however, concerned an altogether different question: whether to authorize the PTO to issue legislative rules governing the basic conditions for patentability, such as subject-matter eligibility under 35 U.S.C. 101. One such bill, for example, would have authorized the PTO to issue legislative rules interpreting any "law applicable to the United States Patent and Trademark Office." S. 1145, 110th Cong., 1st Sess. § 11 (2007). Congress's decision not to enact that provision (among many proposals on myriad other subjects not ultimately incorporated into the AIA) does not diminish the PTO's authority under the statute that Congress did enact, which empowers the Director to issue rules "establishing and governing inter partes review under this chapter." 35 U.S.C. 316(a)(4).

e. Even if the PTO were precluded from engaging in "substantive" rulemaking, the decision to adopt the broadest-reasonable-construction approach in agency

proceedings would not be "substantive" under the Federal Circuit's case law. The broadest-reasonable-construction rule does not prescribe what is patentable and what is not; it prescribes a uniform interpretive method for the Board to use in applying the Patent Act's requirements to the claims before it. Using that standard in *inter partes* reviews did "not change any substantive rights relative to the current practice" because the agency has long applied the same standard in its other proceedings. 77 Fed. Reg. at 48,697. The Federal Circuit has explained, moreover, that a "procedural rule does not become substantive simply because it requires the applicant to exert more effort to comply, so long as the effort is not so great that it effectively forecloses the possibility of compliance." *Tafas*, 559 F.3d at 1357. Here, the broadest-reasonable-construction approach simply requires a patent holder to "exert more effort" (*ibid.*) by offering an acceptable amendment to a claim that, in the absence of the amendment, could reasonably be read as too broad to be patentable.

In any event, the relevant "backdrop of uniform existing law" (Pet. Br. 40) that Congress presumably took into account when enacting the AIA would not have been cases about generic authority under Section 2(b) or discussions of which effects on individual rights constitute "a matter of substance" (Pet. Br. 41). Without any other express statutory authorization to do so, the PTO and the Patent Office had—for more than a century before the AIA's enactment, and with repeated judicial approbation—been applying the broadest-reasonable-construction approach in initial examinations, in reissue proceedings, in interference proceed-

ings, and in *ex parte* and *inter partes* reexaminations.[10] The background understanding against which Congress legislated in 2011 was that the agency, in conducting administrative proceedings involving previously issued patents, may apply a claim-construction methodology that differs from the methodology a court would use. The PTO has concluded that, for this purpose, *inter partes* review is more closely analogous to initial examination and reexamination (where petitioner acknowledges the propriety of the broadest-reasonable-construction approach) than to district-court litigation (where no amendment of contested claims is permitted). That expert judgment falls comfortably within the AIA's grant of rulemaking authority and warrants judicial deference.

2. The PTO's regulation is reasonable and consistent with the statute

a. Petitioner contends that Section 42.100(b) is "not a reasonable interpretation of the AIA" because Congress could not have intended for the PTO to use "'a different legal framework than the one used by district courts.'" Pet. Br. 42 (quoting Pet. App. 55a (joint dissent)). As discussed above, however, the AIA incontestably does just that by, *inter alia*, imposing a lower burden of proof and curtailing the range of prior art that may be used to evaluate novelty and obviousness. See 35 U.S.C. 311(b), 316(e); see also pp. 30-31,

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[10] Congress has specified that *ex parte* reexaminations "will be *conducted* according to the *procedures* established for initial examination." 35 U.S.C. 305 (emphasis added). Despite the terms "conducted" and "procedures," petitioner does not question the soundness of the PTO's decision to transplant its broadest-reasonable-construction approach from the context of initial examinations to that of *ex parte* reexaminations. See Pet. Br. 22-23.

supra. It was therefore eminently reasonable for the PTO to adopt its longstanding practice for resolving ambiguities in patent claims during proceedings in which the claims could still be amended.

b. Congress also authorized the PTO to consolidate multiple pending administrative proceedings about the same patent and to establish regulations "governing * * * the relationship of [inter partes] review to other proceedings under [the Patent Act]." 35 U.S.C. 315(d), 316(a)(4). In adopting Section 42.100(b), the PTO explained that using the same interpretive method in the new *inter partes* review proceedings would mitigate the "inefficiencies" that would arise if the agency were required to apply different claim-construction standards simultaneously to the same patent. 77 Fed. Reg. at 48,698 ("It would be anomalous for the Board to have to apply two different standards in the merged proceeding."); see 35 U.S.C. 316(b) (directing the PTO to consider "the efficient administration of the Office" when prescribing regulations).

For various practical reasons, the PTO has not yet chosen to consolidate multiple proceedings, see Pet. Br. 44-45, but that does not detract from the import of those provisions. Congress expressly contemplated that the PTO could consolidate an *ex parte* reexamination or a reissue proceeding with an *inter partes* review, 35 U.S.C. 315(d), and petitioner does not suggest that Congress expected the agency to use different claim-interpretation methodologies simultaneously in a "truly merged" proceeding. Pet. Br. 45. Even in the absence of formal consolidation, the PTO often has pending before it multiple separate proceedings concerning the same patent. There is no reason to believe that Congress intended the Board to construe the

same claims of the same patent differently in separate cases simultaneously pending before it. The PTO reasonably exercised its rulemaking power in a manner that avoids that possibility.

II. THE PTO'S THRESHOLD DECISION TO INSTITUTE AN *INTER PARTES* REVIEW, WHICH CONGRESS PROVIDED "SHALL BE FINAL AND NONAPPEALABLE," IS NOT SUBJECT TO REVIEW BY THE COURT OF APPEALS

With respect to two of the three patent claims at issue, petitioner contends (Br. 46-54) that the PTO's decision to institute the *inter partes* review proceeding was improper and that the court of appeals should have so held. As the court below correctly recognized, judicial review of the PTO's decision to commence proceedings is barred by the AIA, which makes the decision "whether to institute" an *inter partes* review "final and nonappealable." 35 U.S.C. 314(d). That reading sensibly focuses judicial review on the ultimate question of patentability, consistent with the statutory purposes of providing for efficient proceedings that will improve the quality of issued patents. In any event, there is no merit to petitioner's specific objection that the agency exceeded its authority by recognizing that the same arguments about the unpatentability of claim 17 were applicable to two other claims on which claim 17 depended.

A. The Statute Bars All Judicial Review, Not Just Interlocutory Appeals, Of The PTO's Decision Whether To Institute An *Inter Partes* Review

In connection with the *inter partes* review at issue here, the Board made both a threshold decision under 35 U.S.C. 314 to "authorize an inter partes review to

be instituted," and "a final written decision" under 35 U.S.C. 318(a) "with respect to the patentability of" three claims in petitioner's patent. Congress has authorized judicial review of only the second of those two agency decisions.

1. The statutory text limits judicial review to the agency's final decision about patentability

a. As relevant here, the AIA's amendments to the Patent Act included two provisions addressing judicial review of *inter partes* review proceedings. The first provided as follows: "NO APPEAL.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. 314(d). The second provided that "[a] party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision" to the Federal Circuit. 35 U.S.C. 319. Taken together, those provisions demonstrate Congress's intent that the Board's ultimate decision about patentability, but not its threshold decision whether to institute an *inter partes* review, should be subject to judicial scrutiny.

Section 319 authorizes an appeal of the PTO's "final written decision * * * under section 318(a)," at the behest of "[a] party dissatisfied with" that decision. 35 U.S.C. 319. The cross-reference to Section 318(a) shows that the appealable decision is the "final written decision *with respect to the patentability* of any patent claim challenged by the [party seeking inter partes review] and any new claim added [during the inter partes review]." 35 U.S.C. 318(a) (emphasis added).

In petitioner's view (Br. 49), "nothing bars a party from arguing that the Board's final decision * * * was instituted in violation of the statutory restric-

tions." But Section 314(d) bars precisely that argument. By specifying that the determination "whether to institute an inter partes review under [Section 314] shall be final and nonappealable," 35 U.S.C. 314(d), Congress unambiguously foreclosed appeals of such decisions, even though Section 319 permits the Federal Circuit to review the Board's later decision about patentability.

b. Petitioner contends (Br. 49, 52) that Section 314(d) simply prevents an "interlocutory" appeal when the PTO decides under Section 314 to institute an *inter partes* review. That contention, however, cannot account for Congress's declaration that the decision is *both* "final and nonappealable." 35 U.S.C. 314(d).

If Congress had intended to foreclose only interlocutory appeals, there would have been no need to enact Section 314(d). Under the Administrative Procedure Act, the decision to commence a particular administrative proceeding generally would not "mark the 'consummation' of the agency's decisionmaking process," *Bennett* v. *Spear*, 520 U.S. 154, 178 (1997) (citation omitted), and therefore would not be a "final agency action." 5 U.S.C. 704; see, *e.g.*, *FTC* v. *Standard Oil Co.*, 449 U.S. 232, 239-243 (1980) (holding that the FTC's issuance of an administrative complaint finding "reason to believe" that the defendant had violated the Federal Trade Commission Act was not subject to immediate review). Such a decision could be a "preliminary, procedural, or intermediate agency action or ruling * * * subject to review on the review of the final agency action." 5 U.S.C. 704; see *Standard Oil*, 449 U.S. at 245. In the AIA, however, Congress departed from that background rule by explaining that the agency's decision "whether to institute" *inter*

partes review is not just "nonappealable" but also "final." 35 U.S.C. 314(d). Because the decision whether to institute the proceeding is "final," it will not be revisited by the agency in its subsequent decision on the merits. Because it is "nonappealable," it is not subject to further review.[11]

c. In an effort to give Section 314(d) meaningful operative effect, petitioner suggests (Br. 51) that the provision may bar appeal only when the Board "decides *not* to institute" *inter partes* review. The statute is not limited to such decisions, however, but applies to any determination "whether to institute an inter partes review under this section." 35 U.S.C. 314(d). The threshold decision that petitioner now seeks to challenge was unquestionably a decision "whether to institute an inter partes review."

In this regard, Section 314(d) conspicuously differs from another Patent Act provision that petitioner assumes (Br. 50-51) was Congress's model for Section 314(d). Section 303, which addresses the initiation of

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[11] As petitioner notes (Br. 50, 52-53), the government advanced a different construction of Section 314(d) in one district-court proceeding. The government argued that parallel provisions (35 U.S.C. 324(e) and 329) should be construed as merely postponing judicial review of a PTO decision to institute post-grant review. On appeal, however, the government concluded that its initial reading had been wrong and explained to the Federal Circuit why it had reconsidered that interpretation. See Gov't Br. at 22 n.4, *Versata Dev. Grp., Inc.* v. *SAP Am., Inc.*, No. 2014-1194; Gov't Br. at 16 n.2, *Versata Dev. Grp., Inc.* v. *Lee*, No. 2014-1145. With the exception of that district-court brief, the government has consistently argued that the plain language of Section 314(d) forecloses appeal of the PTO's initial decision "whether to institute" *inter partes* review either before or after the Board's final written decision about patentability.

ex parte reexaminations, authorizes the Director of the PTO to "determine whether a substantial new question of patentability is raised." 35 U.S.C. 303(a). That provision further specifies that a "determination * * * that no substantial new question of patentability has been raised will be final and nonappealable," 35 U.S.C. 303(c), thus limiting the appeal bar to decisions not to conduct a reexamination. In enacting Section 314(d), Congress incorporated the phrase ("final and nonappealable") that it had previously used to foreclose judicial review of certain PTO decisions not to reexamine previously issued patents, while using more expansive language to describe the class of agency decisions declared to be unreviewable. That difference between the two provisions refutes petitioner's effort to read into Section 314(d) the same limitation that Congress expressly adopted in its statutory predecessor. See, *e.g.*, *Department of Homeland Sec.* v. *MacLean*, 135 S. Ct. 913, 919 (2015); *Russello* v. *United States*, 464 U.S. 16, 23 (1983).

d. The statute also does not support petitioner's brief, alternative attempt (Br. 53-54) to construe Section 314(d) as insulating the Board's decision only to the extent that it addresses, pursuant to 35 U.S.C. 314(a), whether "there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." By its terms, the appeal bar in Section 314(d) is not limited to the reasonable-likelihood aspect of the decision under Section 314(a). Instead, it applies to all "determination[s] by the [PTO] whether to institute an inter partes review under this section." 35 U.S.C. 314(d).

Here again, the contrast between Section 314(d) and a pre-AIA analogue is instructive. A provision

superseded by the AIA had required the Director to determine "whether" a request for *inter partes* reexamination had raised "a substantial new question of patentability affecting any claim of the patent concerned." 35 U.S.C. 312(a) (2006). Former Section 312(c), in turn, had specified that "[a] determination by the Director *under subsection (a)* shall be final and non-appealable." 35 U.S.C. 312(c) (2006) (emphasis added). Accordingly, a party could still appeal the Director's decision to institute an *inter partes* reexamination on the ground that it was inconsistent with some other limitation—for example, former Section 317, which barred a third-party requester from seeking reexamination if it had previously lost a civil action challenging the patent's validity. See 35 U.S.C. 317 (2006). If Congress had intended Section 314(d) to preclude appeals only of determinations about reasonable likelihood under Section 314(a), it could have continued with that approach. Instead, it eliminated the phrase "under subsection (a)" and referred more broadly to the PTO's decision "whether to institute" *inter partes* review. 35 U.S.C. 314(d).

Reading Section 314(d) to preclude review only of reasonable-likelihood determinations under Section 314(a) would yield the implausible result that, for the first time under any iteration of the Patent Act, some PTO decisions *not* to institute post-issuance review before the agency would be subject to judicial challenge. A decision against instituting a proceeding could be based on various grounds.[12] But even when

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[12] See, *e.g.*, 35 U.S.C. 312 (requiring a petition to institute review to include certain information and to be accompanied by the requisite fee); 35 U.S.C. 315(a) (precluding institution of review if the petitioner or its real party in interest "filed a civil action challeng-

the statutory prerequisites for *inter partes* review have been satisfied, the statute never mandates the institution of such a proceeding. See 35 U.S.C. 312(a), 314(a) and (d), 315(a) and (b) (specifying circumstances in which the PTO "may not" institute review, but identifying no instance in which the PTO *must* institute review). As Senator Kyl explained, the absence of any such directive "reflects a legislative judgment that it is better that the [PTO] turn away some petitions that otherwise satisfy the threshold for instituting an inter partes or post-grant review than it is to allow the [PTO] to develop a backlog of instituted reviews that precludes the [PTO] from timely completing all proceedings." 157 Cong. Rec. 3430 (2011).

e. Finally, petitioner invokes (Br. 53) the presumption that administrative action may be subjected to judicial review. It is undisputed, however, that the PTO's final decision about patentability is subject to judicial review under 35 U.S.C. 319. Only the threshold decision whether to institute an *inter partes* review is insulated from review. In any event, the presumption of reviewability "is rebuttable," *Mach Mining, LLC* v. *EEOC*, 135 S. Ct. 1645, 1651 (2015), and "does not control" where "congressional intent to preclude judicial review is fairly discernible in the detail of the legislative scheme." *Block* v. *Community Nutrition Inst.*, 467 U.S. 340, 351 (1984) (citation and internal quotation marks omitted).

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ing the validity of a claim of the patent" before filing a petition); 35 U.S.C. 315(b) (precluding institution of review if the patent owner filed a complaint for infringement against the petitioner, the petitioner's privy, or the petitioner's real party in interest more than a year before the filing of the petition).

Here, an intention to preclude review is plainly discernible in the differences between Section 314(d) and Sections 303 and 319. That distinguishes this case from *Mach Mining*, in which the Court addressed no specific statutory bar to review of the agency's conduct. See 135 S. Ct. at 1651-1652. Similarly, because Section 314(d) makes the determination "whether to institute" review "final and nonappealable," it is distinguishable from the statutory scheme at issue in *Lindahl* v. *OPM*, 470 U.S. 768 (1985), which could "naturally * * * be read as precluding review only of OPM's *factual* determinations," and which further provided for review of OPM's decisions by another agency without imposing any limit on judicial review of the second agency's determination. *Id.* at 779.[13]

2. Limiting review to the PTO's final decision about patentability is consistent with the AIA's purposes

The court of appeals' straightforward interpretation of Section 314(d) ensures that the PTO's substantive

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[13] The court of appeals left open the possibility that "mandamus may be available to challenge the PTO's decision to grant a petition to institute [*inter partes* review] after the Board's final decision in situations where the PTO has clearly and indisputably exceeded its authority." Pet. App. 9a. There was no clear and indisputable error in this case, which involves only a dispute about whether the petition for *inter partes* review implicitly included the same obviousness challenge to claims 10 and 14 that was expressly advanced against the dependent claim 17. See pp. 51-52, *infra*. For similar reasons, there has been no violation of "a clear statutory mandate or prohibition" (Pet. Br. 53) that could support the application of *Leedom* v. *Kyne*, 358 U.S. 184 (1958). In any event, *Kyne* permits review only when no statute precludes such review, which is not the case here. See, *e.g.*, *Board of Governors of the Fed. Reserve Sys.* v. *MCorp Fin., Inc.*, 502 U.S. 32, 44 & n.16 (1991); *Briscoe* v. *Bell*, 432 U.S. 404, 413 n.13 (1977).

patentability determinations are subject to judicial scrutiny, while avoiding the waste and expense entailed in relitigating threshold questions that do not bear on the proper scope of the patentee's exclusive rights. If the PTO has concluded that a claim was not patentable and the courts have sustained that conclusion under Section 319, that should be the end of the matter. Under that approach, the PTO proceeding may function, in accordance with Congress's intent, as an efficient non-judicial alternative for testing the patentability of issued claims. See *House Report* 39-40.

By contrast, permitting a court to vacate the PTO's cancellation of a concededly invalid patent claim on a threshold procedural ground would disserve the AIA's principal purpose of improving patent quality. It would be particularly incongruous to allow a court to reach that result when Congress has charged the PTO itself with "setting forth the standards for the showing of sufficient grounds to institute a[n *inter partes*] review under section 314(a)." 35 U.S.C. 316(a)(2).

B. Even If The Agency's Decision Were Reviewable, The Board Did Not Err In Recognizing That The Same Obviousness Objections Would Apply To Two Additional Claims

Petitioner argues (Br. ii, 47-48) that the Board exceeded its statutory authority by granting review with respect to three claims that logically stand or fall together. That contention would fail even if the agency's decision to institute an *inter partes* review were subject to judicial scrutiny. As the government explained in the court of appeals (Gov't C.A. Br. 37-39), it was appropriate for the Board to treat Garmin's two obviousness challenges to claim 17 as also being implicitly raised with respect to dependent claims 10 and 14. See Pet.

App. 188a-192a. Because Garmin had already identified the applicable prior art, the Board did not, as petitioner suggests (Br. 48), make its own selections from a range of offerings. It merely recognized that an infirmity in claim 17 would also threaten claims 10 and 14.

Petitioner was not deprived of any notice that would have enabled it to refute that inference. Even after the Board's institution decision declared that all three claims would be at issue, see Pet. App. 196a-197a, petitioner's filings before the Board and the Federal Circuit made exactly the same arguments with respect to obviousness for each of the three claims. See *id.* at 23a, 153a, 163a; Pet. C.A. Br. 17 n.1 (noting that "claims 10, 14, and 17 rise and fall together").

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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APPENDIX

1. 35 U.S.C. 303 provides:

Determination of issue by Director

(a) Within three months following the filing of a request for reexamination under the provisions of section 302, the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 or 302. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.

(b) A record of the Director's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

(c) A determination by the Director pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Director may refund a portion of the reexamination fee required under section 302.

2. 35 U.S.C. 312 provides:

Petitions

(a) REQUIREMENTS OF PETITION.—A petition filed under section 311 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 311;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including—

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) PUBLIC AVAILABILITY.—As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

3. 35 U.S.C. 314 provides:

Institution of inter partes review

(a) THRESHOLD.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) TIMING.—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) NO APPEAL.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

4. 35 U.S.C. 315 provides:

Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION.—

(1) INTER PARTES REVIEW BARRED BY CIVIL ACTION.—An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date

on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) JOINDER.—If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) MULTIPLE PROCEEDINGS.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) ESTOPPEL.—

(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

5. 35 U.S.C. 316 provides:

Conduct of inter partes review

(a) REGULATIONS.—The Director shall prescribe regulations—

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submit-

ted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) AMENDMENT OF THE PATENT.—

(1) IN GENERAL.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) SCOPE OF CLAIMS.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) EVIDENTIARY STANDARDS.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

6. 35 U.S.C. 317 provides:

Settlement

(a) IN GENERAL.—An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes

review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

7. 35 U.S.C. 318 provides:

Decision of the Board

(a) FINAL WRITTEN DECISION.—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentabil-

ity of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) INTERVENING RIGHTS.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) DATA ON LENGTH OF REVIEW.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

8. 35 U.S.C. 319 provides:

Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.

9. 35 U.S.C. 312 (2006) provided:

Determination of issue by Director

(a) REEXAMINATION.—Not later than 3 months after the filing of a request for inter partes reexamination under section 311, the Director shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.

(b) RECORD.—A record of the Director's determination under subsection (a) shall be placed in the official file of the patent, and a copy shall be promptly given or mailed to the owner of record of the patent and to the third-party requester.

(c) FINAL DECISION.—A determination by the Director under subsection (a) shall be final and non-appealable. Upon a determination that no substantial new question of patentability has been raised, the Dir-

ector may refund a portion of the inter partes reexamination fee required under section 311.

10. 37 C.F.R. 42.100 provides:

Procedure; pendency.

(a) An *inter partes* review is a trial subject to the procedures set forth in subpart A of this part.

(b) A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

(c) An *inter partes* review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge, or adjusted by the Board in the case of joinder.

11. 37 C.F.R. 42.108 provides:

Institution of *inter partes* review.

(a) When instituting *inter partes* review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

(b, At any time prior to institution of *inter partes* review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims. Denial of a ground is a Board decision not to institute *inter partes* review on that ground.

(c) Sufficient grounds. *Inter partes* review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed.

12. 37 C.F.R. 42.120 provides:

Patent owner response.

(a) *Scope.* A patent owner may file a response to the petition addressing any ground for unpatentability not already denied. A patent owner response is filed as an opposition and is subject to the page limits provided in § 42.24.

(b) *Due date for response.* If no time for filing a patent owner response to a petition is provided in a Board order, the default date for filing a patent owner response is three months from the date the *inter partes* review was instituted.

13. 37 C.F.R. 42.121 provides:

Amendment of the patent.

(a) *Motion to amend.* A patent owner may file one motion to amend a patent, but only after conferring with the Board.

(1) *Due date.* Unless a due date is provided in a Board order, a motion to amend must be filed no later than the filing of a patent owner response.

(2) *Scope.* A motion to amend may be denied where:

(i) The amendment does not respond to a ground of unpatentability involved in the trial; or

(ii) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

(3) *A reasonable number of substitute claims.* A motion to amend may cancel a challenged claim or propose a reasonable number of substitute claims. The presumption is that only one substitute claim would be needed to replace each challenged claim, and it may be rebutted by a demonstration of need.

(b) *Content.* A motion to amend claims must include a claim listing, which claim listing may be contained in an appendix to the motion, show the changes clearly, and set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and

(2) The support in an earlier-filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

(c) *Additional motion to amend.* In addition to the requirements set forth in paragraphs (a) and (b) of this section, any additional motion to amend may not be filed without Board authorization. An additional motion to amend may be authorized when there is a

good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement. In determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in paragraph (a)(1) of this section.

14. 37 C.F.R. 42.122 provides:

Multiple proceedings and Joinder.

(a) *Multiple proceedings.* Where another matter involving the patent is before the Office, the Board may during the pendency of the *inter partes* review enter any appropriate order regarding the additional matter including providing for the stay, transfer, consolidation, or termination of any such matter.

(b) *Request for joinder.* Joinder may be requested by a patent owner or petitioner. Any request for joinder must be filed, as a motion under § 42.22, no later than one month after the institution date of any *inter partes* review for which joinder is requested. The time period set forth in § 42.101(b) shall not apply when the petition is accompanied by a request for joinder.

Supreme Court, U.S.
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No. 15-446

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR THE PETITIONER

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TABLE OF CONTENTS

Page

I. The Board uses the wrong claim-construction standard. 1

A. Congress did not authorize the PTO to depart from the ordinary-meaning standard for adjudicating patent validity 2

1. The applicable claim-construction standard depends on whether the proceeding is examinational or adjudicatory. 3

2. Congress designed IPR as an adjudicatory surrogate for district-court litigation 5

3. Using an ordinary-meaning standard in IPR would not lead to anomalous results. 9

B. The PTO's regulation is invalid and not entitled to deference. 10

1. Section 42.100(b) is not an exercise of the PTO's procedural rulemaking authority. 10

2. Section 42.100(b) is plainly unreasonable. 14

II. The Board's institution decisions are judicially reviewable. 15

A. The AIA limits the Board's power to institute IPR proceedings. 15

B. The Board cannot violate the AIA's limits without any judicial oversight. 17

Conclusion 23

TABLE OF AUTHORITIES

Page(s)

Cases

Bowen v. *Mich. Acad. of Family Physicians*, 476 U.S. 667 (1986) 17

Buszard, In re, 504 F.3d 1364 (Fed. Cir. 2007) 2

Dunlop v. *Bachowski*, 421 U.S. 560 (1975) 17

Ethicon, Inc. v. *Quigg*, 849 F.2d 1422 (Fed. Cir. 1988) 9

Ford Motor Co. v. *Signal IP, Inc.*, IPR2015-00860, Paper 14 (P.T.A.B. Nov. 17, 2015) 14

Hyatt, In re, 211 F.3d 1367 (Fed. Cir. 2000) 2

Key Med. Supply, Inc. v. *Burwell*, 764 F.3d 955 (8th Cir. 2014) 22

KSR Int'l Co. v. *Teleflex Inc.*, 550 U.S. 398 (2007) 7

Leedom v. *Kyne*, 358 U.S. 184 (1958) 22

Lindahl v. *Office of Personnel Mgmt.*, 470 U.S. 768 (1985) 17

Mach Mining, LLC v. *EEOC*, 135 S. Ct. 1645 (2015) 17

Cases—Continued

PPC Broadband, Inc. v. *Corning Optical Commc'ns RF, LLC*, 2016 WL 692368 (Fed. Cir. Feb. 22, 2016) 13

Phillips v. *AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) 4

Rodriguez v. *United States*, 480 U.S. 522 (1987) 21

Sash v. *Zenk*, 428 F.3d 132 (2d Cir. 2005) 4

Shaw Indus. Grp., Inc. v. *Automated Creel Sys., Inc.*, No. 2015-1116, 2016 WL 1128083 (Fed. Cir. Mar. 23, 2016) 19

Skvorecz, In re, 580 F.3d 1262 (Fed. Cir. 2009) 2

St. Jude Med., Cardiology Div., Inc. v. *Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014) 20

Versata Dev. Grp., Inc. v. *SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) 21, 22

Whitman v. *Am. Trucking Ass'ns*, 531 U.S. 457 (2001) 12

Statutes and Regulations

5 U.S.C. 702 19

28 U.S.C. 1295(a)(4) 20

Statutes and Regulations—Continued

35 U.S.C.
2(b)(2)(A) 10, 12
6(a) 7
135(a) (2006) 6
303 ..... 20, 21
305 ..... 8, 10
311(a) 6
312 (2006) 20
312(a)(3) 16
314(a) 11, 16, 18
314(d) 17, 18, 20, 21, 22
315(a)(1) 18, 19
315(b) 18, 19
315(e)(1) 18, 19
316(a)(2) 11
316(a)(4) 11, 12
317(a) 6
318(a) 19
319 18

37 C.F.R.
1.114 7
42.121(a)(1) 8

77 Fed. Reg. 48,680 (Aug. 14, 2012) 13

Other Authorities

Letter from U.S. Dep't of Commerce Secretary Locke to S. Comm. on Judiciary (Oct. 5, 2009) 11

Robert P Merges *et al.*, Intellectual Property In The New Technological Age (3d ed. 2003) 7

S. Rep. No. 110-259 (2008) 5

REPLY BRIEF FOR THE PETITIONER

I. THE BOARD USES THE WRONG CLAIM-CONSTRUCTION STANDARD.

Cuozzo's argument on claim construction is simple: claims have long been construed differently in adjudication than in examination, and IPR proceedings are adjudicatory. Congress did not intend, and it does not make sense, for the Board to use a different standard from courts when they perform the same function of adjudicating patent validity. The Government does not dispute that the choice of a claim-construction standard should depend on the purpose of the proceeding; the purpose of IPR is to declare the meaning of property rights rather than to adjust or clarify the scope of those rights; and using different claim-construction standards in IPRs and district-court litigation has led to substantial unfairness for patentees and inconsistent results.

The Government instead makes two basic responses, both of which are unpersuasive. *First*, despite Congress's express goal of replacing inter partes reexaminations with an adjudicatory system, the Government argues that IPRs are more like examinations than adjudications because of the opportunity to amend and the lower burden of proof. But the severely limited ability to amend in IPRs is nothing like the unfettered right to amend in examinations, and the

burden of proof is different because the tribunal is composed of expert patent judges, not nonexpert judges and lay jurors. The bottom line remains that IPR is a streamlined surrogate for litigation—not an extension of the examinational process. *Second*, in a naked power grab, the Government argues that the PTO's regulation is valid and entitled to deference. Congress has long denied the agency the power to issue substantive rules, and in any event the regulation is plainly at odds with the statutory scheme.

A. Congress did not authorize the PTO to depart from the ordinary-meaning standard for adjudicating patent validity.

The Government begins with the same faulty reasoning that the PTO employed in its rulemaking: the agency has long given unexpired patent claims their broadest reasonable interpretation, so Congress "expected" the Board to do the same in IPRs. Br. 16. But Congress was equally aware that the BRI protocol is an "examination expedient, *not a rule of claim construction*," *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009) (emphasis added); the purpose of the BRI protocol is to ensure that claims are drafted clearly, see *In re Buszard*, 504 F.3d 1364, 1366-1367 (Fed. Cir. 2007); and its use in examinational proceedings does not prejudice the patentee because of the liberal right to amend, see *In re Hyatt*, 211 F.3d 1367, 1372 (Fed. Cir. 2000). Against that backdrop, Congress created a new adjudicative proceeding to serve as a faster and cheaper surrogate for district-court litigation, which historically has not given claims their broadest reasonable interpretation.

1. The applicable claim-construction standard depends on whether the proceeding is examinational or adjudicatory.

a. The Government accepts that the purpose of the BRI protocol is to "promote[] clarity and precision in *claim drafting*." Br. 18 (emphasis added). The Government also accepts (Br. 19) that, once the claims have been drafted and the patent has been issued, courts (and the International Trade Commission) properly use a different standard in construing the claims. Nor does the Government challenge that the Board in IPR is performing the same function as courts in litigation: it is determining the validity of issued patent claims.[1] It therefore follows that the Board should use the same claim-construction standard as courts. All of the reasons for construing patents (like other written instruments) according to their ordinary meaning in litigation apply equally in IPR. See Cuozzo Br. 19-20. Although in rare cases a patentee may be allowed to amend its claims in an IPR, the Board proceeds post-amendment to do what courts do: adjudicate the validity of the (new) claims. Its basic adjudicatory function is unchanged.[2]

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[1] Some of the Government's amici (though not the Government) try to distinguish the "patentability" determination in IPR from the "validity" decision in litigation, but both have the same legal effect. See Cuozzo Br. 27 n.8. Whether a claim is canceled as unpatentable in IPR or declared invalid in litigation, a patentee can no longer assert or amend that claim.

[2] Amicus Public Knowledge (though not the Government) incorrectly argues (Br. 25-31) that Cuozzo lacks standing. Parties have standing to pursue a case or controversy, not to make particular arguments. Here, Cuozzo suffered injury from the erroneous application of a legal standard different from the one that courts employ. See Pet. App. 117a-120a; PTO Manual § 2111 ("[T]he Office does not

b. The Government defends (Br. 27-28) the Board's use of the BRI standard on the ground that courts often employ interpretive rules or canons in construing ambiguous language. But the BRI standard is no mere interpretive rule or canon; it is a substantive rule that the agency lacks any power to promulgate. See *infra*, pp. 10-13. Even setting that aside, to know whether a particular interpretive rule applies, courts have to ask whether the rule's purpose is implicated by the proceeding at issue. See, *e.g.*, *Sash* v. *Zenk*, 428 F.3d 132, 135 (2d Cir. 2005) (Sotomayor, J.) ("Because the purposes of the rule of lenity are not implicated here, we hold that it does not apply."). The purpose of the BRI protocol is to ensure that claims are drafted clearly—a purpose not implicated in adjudicating the validity of issued patent claims. The Board has invoked an interpretive method that is manifestly unsuited to the purpose of IPR.

The Government also notes (Br. 28) that if a claim is ambiguous even after exhausting all other interpretive tools, courts attempt to resolve the ambiguity in favor of validity. Of course, the Board has gone in the opposite direction: it resolves all ambiguity *against* validity. In any event, courts' interpretive tiebreaker comes into play only in rare circumstances, and it flows from the statutory presumption of validity. See *Phillips* v. *AWH Corp.*, 415 F.3d 1303, 1327 (Fed. Cir. 2005). Here, the Board is not using the BRI method

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interpret claims in the same manner as the courts."). This Court can redress that injury by remanding the case to the Board to apply the correct standard. The Board and the Federal Circuit did not address whether Cuozzo's claims would be invalid under the ordinary-meaning standard, and Cuozzo asserts that its requested construction is the ordinary meaning of the relevant patent language.

as a tiebreaker when all else fails. It gives every patent claim its broadest reasonable construction, even if a different ordinary meaning is readily apparent—and it does not do so in service of any "ancillary objective[]" codified in the AIA. Br. 28. The AIA does not instruct the Board to declare patent claims invalid whenever possible.

2. Congress designed IPR as an adjudicatory surrogate for district-court litigation.

The Government's observation that "in some ways *inter partes* review more closely resembles litigation than do its administrative forebears" is a considerable understatement. Br. 30. The Board is comprised of judges, who are required to adjudicate the parties' arguments rather than conduct their own examination of the prior art. Parties in IPR may obtain fact and expert discovery, submit briefs, and participate in oral argument. The Government notes (Br. 30-31) that discovery and the types of prior art that may be considered are more limited in IPR than in litigation. But these differences were driven by Congress's goal to create a faster and cheaper surrogate for litigation—they do not make IPR any more similar to examination or reexamination.

The Government argues (Br. 32) that IPR, like inter partes and ex parte reexamination, is merely another alternative to litigation. But Congress did not want another examinational alternative; indeed, it expressly replaced inter partes reexamination with IPR. It wanted instead an adjudicatory "substitute" for district-court actions. S. Rep. No. 110-259, at 66 (2008).[3]

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[3] The Government contends that interference proceedings combined "features of adjudication with the broadest-reasonable-construction approach." Br. 32. The core purpose of interference

To be sure, Congress did not make IPR identical to litigation, because its goal was for the agency proceedings to be more accurate and efficient. No feature of the IPR system, however, suggests Congress intended the Board to use a different claim-construction standard from courts. The Government focuses on three features: parties, burden of proof, and amendment. The first two are irrelevant to the claim-construction standard, and the third supports using the same standard as courts in adjudicating the validity of issued claims.

a. *Parties.* The Government notes that IPRs and litigation "need not have the same parties." Br. 29. Unlike in court, a person may request IPR without demonstrating a concrete stake in the outcome of the proceeding, 35 U.S.C. 311(a), and the Board may issue a final decision even if the petitioner terminates its involvement, 35 U.S.C. 317(a). Even assuming Congress may authorize an agency to adjudicate property rights in the absence of injury or adversity, at most those provisions show that Congress wanted to ex-

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proceedings was to determine who invented first as between two applications or an application and an issued patent, 35 U.S.C. 135(a) (2006), and use of the BRI standard assisted in determining whether different claim language actually represented the same invention. In addition, because interferences always involved at least one pending application, at the conclusion of the interference (once the priority question had been decided) jurisdiction over the application returned to the examiner and the examinational process continued. See PTO Manual § 2308; InterDigital Amicus Br. 13-14. The PTO thus employed the BRI protocol in part because the interference was an outgrowth of the examination. In any event, Congress eliminated interference proceedings in the AIA, and accordingly there is no basis to infer that Congress found the PTO's practice in interferences worth replicating in IPRs.

pand the set of circumstances in which the Board could determine patent validity. Neither provision remotely suggests that, in determining validity, Congress intended the Board to use a different claim-construction standard from courts.

b. *Burden of proof.* The rationale underlying the presumption of validity and heightened burden of proof in district-court litigation is that judges and jurors should defer to the PTO examiner, who has technical expertise that most judges and jurors lack. See, *e.g.*, *KSR Int'l Co.* v. *Teleflex Inc.*, 550 U.S. 398, 426 (2007) ("[T]he rationale underlying the presumption [is] that the PTO, in its expertise, has approved the claim."). That rationale is inapplicable in IPR: there is no reason for the Board to defer to the examiner because the Board has similar technical expertise. See 35 U.S.C. 6(a) ("The administrative patent judges shall be persons of competent legal knowledge and scientific ability."). By recognizing the Board's expertise and eliminating the heightened burden of proof, it does not follow that Congress wanted the Board and courts to use different claim-construction standards.

c. *Amendment.* Congress stripped patentees of any right to amend their claims in IPR. During initial examination, applicants have an unfettered right to amend. The Government asserts that the iterative back-and-forth "generally occurs twice, culminating in the issuance of either a notice of allowance or a final rejection." Br. 3. Even if that were correct, IPR allows nothing like the right to file an amendment, get feedback from the examiner, and file a second amendment. In any event, after a so-called "final rejection," an applicant may continue to amend claims by requesting continued examination. See 37 C.F.R. 1.114; see also Robert P. Merges *et al.*, Intellectual

Property In The New Technological Age 116 (3d ed. 2003) ("The label 'final rejection' is a misnomer if ever there was one."). Similarly, during ex parte reexamination, patentees may readily amend claims after rejection by the examiner. See 35 U.S.C. 305 ("[T]he patent owner *will be permitted* to propose any amendment to his patent.") (emphasis added). Patentees cannot "enlarg[e] the scope of a claim," *ibid.*, but otherwise amendments are freely allowed. And historically reexaminations have resulted in amendment of claims far more often than cancellation. See BIO Amicus Br. 11-12.

By contrast, patentees' ability to amend in IPR is sharply curtailed in a way flatly inconsistent with use of the BRI standard. See Pet. App. 39a (Newman, J., dissenting) ("Amendment in post-grant validity proceedings is not of right, and thus far appears to be almost entirely illusory."). First, patentees are limited to one motion to amend, and roughly 5% of such motions have been granted. See Cuozzo Br. 29-30. Second, the Government itself states that the "common feature" of agency proceedings in which the BRI standard has been applied, and the "core rationale" for its use in those settings, is "the patent applicant or patentee may still amend its claims to disavow the broader reading if that reading does not reflect its actual intent." Br. 13. In IPR, patentees cannot "disavow" the Board's broad claim construction because they must file their motion *before* rejection by the Board. See 37 C.F.R. 42.121(a)(1).

Contrary to the Government's argument (Br. 27), this is *not* a question of whether the agency is too rigid at the margin, or whether the Board abuses its discretion in denying any particular motion to amend. As the PTO itself has explained, the purpose and tim-

ing of IPR are inconsistent with a liberal amendment process. See Cuozzo Br. 30. Granting a motion to amend bestows a new (and narrower) patent outside the normal examinational process, without the usual back-and-forth between the examiner and the applicant or the patentee. The purpose of IPR, however, is not to adjust the scope of patent claims. It is instead to determine the meaning of such claims. The PTO has therefore been clear that, by its nature, IPR is rarely the appropriate forum for claim amendment.

3. Using an ordinary-meaning standard in IPR would not lead to anomalous results.

The Government contends that using the ordinary-meaning standard would require the Board to "approve" a claim that the PTO would reject in a reexamination. Br. 33 (emphasis omitted). That contention reflects a basic misunderstanding of the Board's adjudicatory role. When the Board declines to cancel a claim, it does not thereby approve the claim. The Board simply finds, as a court would, that the challenger has not carried its burden of proving invalidity for a claim that already has withstood the examinational process. See *Ethicon, Inc.* v. *Quigg*, 849 F.2d 1422, 1429 n.3 (Fed. Cir. 1988) ("Courts do not find patents 'valid,' only that the patent challenger did not carry the 'burden of establishing invalidity.'"). Courts give claims their ordinary meaning without asking whether they should have been rejected in examination under a different standard. It is no more anomalous for the Board to do the same thing.

It adds nothing for the Government to say (Br. 33) that, after a claim is upheld under the ordinary-meaning standard in IPR, the PTO could commence a reexamination and cancel the claim under the BRI

standard. That is equally true of district-court litigation, and the Government takes no issue with courts applying the ordinary-meaning standard. Moreover, the patentee in reexamination has a liberal right to amend in order to teach away from the PTO's broader construction. See 35 U.S.C. 305. As a result, when the PTO commences a reexamination, the patentee has the prospect of walking away with its claims intact (albeit narrower). But when the Board applies the BRI standard in IPR, the patentee typically walks away empty-handed.

B. The PTO's regulation is invalid and not entitled to deference.

1. Section 42.100(b) is not an exercise of the PTO's procedural rulemaking authority.

a. The Government acts as if this case comes to the Court on a blank slate. To the contrary, in recent years the PTO has repeatedly sought—and been denied by both Congress and the Federal Circuit—the authority to issue substantive regulations. See Cuozzo Br. 35-36; BIO Amicus Br. 21-24. Congress presumably knew that when it enacted the AIA. It was aware that Section 2(b) of the Patent Act authorizes the PTO to issue regulations "govern[ing] the conduct of proceedings in the Office." 35 U.S.C. 2(b)(2)(A). Congress was further aware that the Federal Circuit had interpreted Section 2(b) to grant only procedural rulemaking authority. The Government disagrees (Br. 36-37) with that case law, but the key point is that Congress used virtually identical language to Section 2(b) in the relevant provision of the AIA. Simply put,

the PTO wants to achieve through interpretation what it has been unable to garner through legislation.[4]

b. The PTO relied on two portions of 35 U.S.C. 316(a)—Paragraphs 2 and 4—in promulgating its BRI regulation. Neither provision is remotely "an express grant of rulemaking authority" over claim construction. Br. 34.

i. Paragraph 2 authorizes the PTO to issue "standards for the showing of sufficient grounds to institute" an IPR. 35 U.S.C. 316(a)(2). On its face, that provision has nothing to do with the applicable claim-construction standard *after* the Board institutes an IPR and proceeds to address the patent's validity. The Government does not even attempt to explain how Paragraph 2's text extends to claim construction. Nor can Paragraph 2 possibly be substantive, because the AIA already establishes the substantive standard for instituting IPR: whether, based on the parties' pleadings, "there is a reasonable likelihood that the petitioner would prevail." 35 U.S.C. 314(a). The Government says (Br. 38) that the term "standards" has to be understood as granting substantive rulemaking authority, but it never says—in light of Section 314's reasonable-likelihood test—what substantive matters

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[4] The Government incorrectly argues that Congress has denied the PTO only the authority to issue "rules governing the basic conditions for patentability." Br. 39. In the lead-up to the AIA, the Administration lobbied Congress for "substantive rulemaking authority * * * to provide flexibility in the administration of patent rules and procedures." Letter from U.S. Dep't of Commerce Secretary Locke to S. Comm. on Judiciary (Oct. 5, 2009). At a minimum, the Administration urged, the PTO should have "procedural rulemaking authority over proceedings in the agency." *Ibid.* Congress granted solely that minimum in the AIA.

Paragraph 2 is meant to cover. Whatever they are, claim construction is not among them.

ii. The Government spends (Br. 39) all of three sentences on Paragraph 4, which authorizes the PTO to prescribe regulations "establishing and governing inter partes review." 35 U.S.C. 316(a)(4). The regulation at issue does not "establish[]" IPR, and thus must be a regulation "governing" IPR. But Section 2(b) of the Patent Act similarly provides for regulations "govern[ing] the conduct" of PTO proceedings. 35 U.S.C. 2(b)(2)(A). Moreover, the heading of Section 316 is "[c]onduct of *inter partes* review." When the language of Paragraph 4 is paired with its preceding heading, it is identical to Section 2(b) of the Patent Act. Congress used exactly the right language to grant only procedural rulemaking authority in light of existing law.

The Government argues (Br. 37-38) that Section 316's heading is underinclusive because some portions of the provision are substantive. Even assuming that is correct, it is not enough for the Government to show that Section 316 allows the agency to issue some substantive rules. The Government has to show that Section 316 grants the power to issue substantive rules regarding *claim construction*. In the end, the only specific basis to which the Government points is Paragraph 4 and its general language about regulations "governing" IPR. The Government criticizes Cuozzo for labeling that a procedural catch-all, but on the Government's view it is a *substantive* catch-all. It is surely far more implausible to think that Congress hid the elephant of substantive rulemaking authority in the mousehole of Paragraph 4. See *Whitman* v. *Am. Trucking Ass'ns*, 531 U.S. 457, 468 (2001).

c. Ratcheting up the implausibility, the Government maintains (Br. 39-40) that the applicable claim-construction standard in IPR is an issue of procedure, not substance. But the Federal Circuit defers to regional circuits on matters of procedure, and it grants no such deference on claim construction—which itself would have indicated to Congress at the time of the AIA that claim construction is substantive. See BIO Amicus Br. 21. To remove any possible doubt, the Federal Circuit and other courts have explicitly labeled claim construction as substantive. See Cuozzo Br. 40. The Government does not address any of that pre-AIA case law. Nor does the Government address that, as a logical matter, the standard for claim construction must be substantive because it affects the scope of the patent owner's property right and can be outcome-determinative whether a patent survives a challenge. See *id.* at 41-42.

The Government asserts that the PTO's rule is not substantive because it "did 'not change any substantive rights relative to the current practice.'" Br. 40 (quoting 77 Fed. Reg. 48,697). But of course it did. Before the regulation, district courts and the ITC determined patent validity under the ordinary-meaning standard. Now, even when claims survive under that standard in litigation, patentees can have the same claims invalidated in an IPR under the different BRI standard. See, *e.g.*, *PPC Broadband, Inc.* v. *Corning Optical Commc'ns RF, LLC*, 2016 WL 692368, at *4-5 (Fed. Cir. 2016) (explaining that the court would have reached a different conclusion under the "correct construction" of the patent). That is the very definition of a change in "substantive rights."

2. Section 42.100(b) is plainly unreasonable.

Even if the PTO has the authority to promulgate substantive rules, its regulation is plainly unreasonable. It is a fundamental principle of patent law that claims should be given the same meaning for purposes of validity and infringement. See Cuozzo Br. 42-43. The Government fails even to address this basic principle. It does not dispute the unfairness in forcing patentees to defend broader constructions than they could assert in infringement actions—or in permitting challengers to urge broad constructions in IPR while advancing narrower readings in court to avoid infringement. In the process, the Board's use of the BRI standard reinjects the uncertainty that its earlier use in examination was meant to have eliminated, in turn defeating the public's interest in knowing the actual scope of claims. See *id.* at 43-44. The Government offers no answer to any of this.

The Government argues (Br. 42) instead that the PTO's regulation eliminates the inefficiency of using different claim-construction standards in a consolidated proceeding. But the Government concedes that the PTO has never consolidated an IPR with another type of proceeding—not even once. It is strange enough for the tail to wag the dog, but passing strange when the dog lacks a tail. Moreover, the Board's stated reason for not consolidating IPRs with other types of proceedings is that IPRs alone are "adjudicatory in nature." *Ford Motor Co.* v. *Signal IP, Inc.*, IPR2015-00860, Paper 14, at 3 (P.T.A.B. Nov. 17, 2015). "[T]here is an inherent tension in attempting to unify proceedings that, by all accounts, *are intended to be distinct in type from one another*." *Ibid.* (emphasis added). The Government now says "[t]here is no reason to believe that Congress intended the

Board to construe the same claims of the same patent differently in separate cases," Br. 42-43, but the Board has recognized the reason: IPRs perform a different function. The PTO's regulation unreasonably fails to respect that basic difference.

II. THE BOARD'S INSTITUTION DECISIONS ARE JUDICIALLY REVIEWABLE.

The Board now adjudicates a significant portion of the country's litigation over patent validity. When the Board institutes IPR, it is overwhelmingly likely to cancel the claims (assuming the parties do not settle and the Board issues a final written decision). That makes the institution decision a critical stage in the process—and it makes policing the limits on the Board's institution authority crucially important. Here, the Board instituted IPR on two of the claims in Cuozzo's patent in obvious contravention of the limitations set by Congress. Congress did not place limits on the Board's authority only so that the Board could flout those limits with impunity.

A. The AIA limits the Board's power to institute IPR proceedings.

The Government does not dispute what happened here: the Board took combinations of prior art cited by Garmin only with respect to claim 17 of Cuozzo's patent and applied them as well to institute review of claims 10 and 14, while denying all grounds that Garmin actually had asserted against claims 10 and 14. Nor does the Government make any effort to defend the Board's action under the terms of the AIA. Instead, the Government revives an argument that it made in the court of appeals but had abandoned at the certiorari stage: that it was "appropriate" for the

Board to treat Garmin's obviousness challenges to claim 17 as "implicitly rais[ing]" the same challenges to claims 10 and 14. Br. 51.

The AIA's plain text does not permit "implicit[]" challenges. The IPR petition must "identif[y], in writing and *with particularity*, the grounds on which the challenge to each claim is based, and *the evidence that supports the grounds for the challenge to each claim*." 35 U.S.C. 312(a)(3) (emphasis added). The Board may institute IPR only based upon "*the information presented in the petition* * * * and any response." 35 U.S.C. 314(a) (emphasis added). The statutory text could hardly be clearer: the Board is authorized to act only on the basis of the arguments and evidence that the parties present with respect to each challenged claim.

When the Board redrafts the petition on its own initiative, it deprives the patentee—which already has filed its response—of the opportunity to explain why the Board's asserted argument or evidence does not warrant IPR. It also prevents the Board from fulfilling its legislative mandate to consider the patentee's response to the petition. The Government argues (Br. 52) that Cuozzo was not deprived of any meaningful notice because the company eventually made the same arguments with respect to all three claims, so the Board had been correct in its threshold determination that the claims deserved to rise or fall together. But Congress made the judgment that, to encourage proper pleading and reduce error across the range of cases, the Board should not be authorized to act on grounds other than those presented by the parties. The Board is not free to make a different judgment on a case-by-case basis.

B. The Board cannot violate the AIA's limits without any judicial oversight.

Even though the Board plainly exceeded its statutory authority in instituting IPR of claims 10 and 14, the Government asserts that the Board's action is immune from judicial review under 35 U.S.C. 314(d). Its interpretation of Section 314(d) is inconsistent with the statute's text, its history, and the strong presumption in favor of judicial review.

1. As the Court declared last Term, "Congress rarely intends to prevent courts from enforcing its directives to federal agencies." *Mach Mining, LLC* v. *EEOC*, 135 S. Ct. 1645, 1651 (2015). This Court therefore "applies a 'strong presumption' favoring judicial review of administrative action." *Ibid.* (quoting *Bowen* v. *Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986)). For the same reason, the Court construes bars to judicial review narrowly. See *Lindahl* v. *Office of Personnel Mgmt.*, 470 U.S. 768, 779-780 (1985). The Government thus "bears a 'heavy burden.'" *Mach Mining*, 135 S. Ct. at 1651 (quoting *Dunlop* v. *Bachowski*, 421 U.S. 560, 567 (1975)). It must produce "clear and convincing evidence" that Congress intended the Board's institution decisions to be free from any judicial oversight. *Bowen*, 476 U.S. at 671 (internal quotation marks omitted).

2. The text of Section 314 is anything but a clear and convincing denial of judicial review. Section 314(a) requires the Director to determine whether, based on the information in the petition and response, "there is a reasonable likelihood" that the IPR petitioner would prevail on the merits. Section 314(d) then provides that the "determination by the Director whether to institute an inter partes review under this section shall be *final and nonappealable*" (emphasis

added). The Government acknowledges that the term "final" means that the Board's reasonable-likelihood determination "will not be revisited by the agency in its subsequent decision on the merits." Br. 46. The Government thus rests on the term "nonappealable," which in its view makes the institution decision "not subject to further review." *Ibid.* But that converts a bar on *appealability* into a bar on *reviewability*. The term's natural meaning is simply that parties to an IPR may not appeal the Board's institution decision itself, though they may raise their claims of error in the appeal from the Board's final written decision.

Regardless, by its terms, the only thing Section 314(d) could possibly withdraw from review is the Board's determination that the parties' pleadings warrant institution. If the Board wants its institution decision to be unreviewable, it need only rely on "the information presented in the petition * * * and any response." 35 U.S.C. 314(a). The Board cannot rewrite the petition, and then contend that it is making the kind of determination that Sections 314(a) and (d) place beyond judicial review. Moreover, the Board has to determine that IPR petitioners have complied with certain time bars and estoppel rules. See 35 U.S.C. 315(a)(1), (b), (e)(1). Those determinations are not made "under" Section 314 and thus are not made unreviewable by Section 314(d). See BIO Amicus Br. 31. There is no reason why the Board's refusal to comply with Section 314(a)'s limits should be any different.

The Government suggests that because Section 319 authorizes appeal from the Board's final written decision, Congress intended review solely of "the Board's ultimate decision about patentability." Br. 44. But Section 319 provides for an appeal by "[any] party

dissatisfied" with the Board's final decision. A party may be "dissatisfied" because it believes the Board is wrong about patentability or the denial of a motion to amend, or it may be dissatisfied because the Board never should have issued a final decision on patentability at all. Contrary to the Government's argument (Br. 44), the cross-reference to Section 318(a) changes nothing. Section 318(a) requires the Board's final written decision to address "the patentability of any patent claim challenged by the petitioner," but requiring the Board to address the merits has nothing to do with the scope of subsequent review.

If the Government's argument were correct, then all of the AIA's limits on instituting IPRs would be nonbinding on the agency. The Board could institute an IPR even if the petitioner already had filed a parallel civil action, 35 U.S.C. 315(a)(1); had been served with an infringement complaint more than a year earlier, 35 U.S.C. 315(b); or could have raised the claims in an earlier IPR, 35 U.S.C. 315(e)(1). Despite the fact that the IPR "was instituted in violation of the statutory restrictions," the patentee could only challenge "the Board's later decision about patentability." Br. 44-45 (internal quotation marks omitted). That is a breathtaking assertion of agency power. See *Shaw Indus. Grp., Inc.* v. *Automated Creel Sys., Inc.*, No. 2015-1116, 2016 WL 1128083, at *8 (Fed. Cir. Mar. 23, 2016) (Reyna, J., concurring) ("The PTO's claim to unchecked discretionary authority" based on Section 314(d) "is unprecedented.").

3. The Government incorrectly argues that Section 314(d) has "meaningful operative effect" only on its interpretation. Br. 46. To the contrary, the provision does two things. First, it forecloses appeal of the Board's decisions *not* to institute. See 5 U.S.C. 702;

28 U.S.C. 1295(a)(4). Second, it forecloses interlocutory appeal of the Board's decisions to institute via writs of mandamus. See *St. Jude Med., Cardiology Div., Inc.* v. *Volcano Corp.*, 749 F.3d 1373, 1375-1376 (Fed. Cir. 2014). The Government continues not to address this latter function. Indeed, the Government appears to leave open (Br. 50 n.13)—as the panel majority did below—the possibility of mandamus review if the Board clearly exceeds its institution authority. That makes no sense whatsoever. The purpose of Section 314(d) is to prevent interlocutory appeal in order to expedite IPR proceedings. The Government would allow mandamus petitions to gum up the works, while denying parties the ability to raise the same claims as part of their final appeals.

4. The Government overreads the historical backdrop against which Congress acted. The former inter partes reexamination statute (which the AIA replaced) provided—in language virtually identical to Section 314(d)—that the Director's determination "whether a substantial new question of patentability * * * is raised * * * shall be final and nonappealable." 35 U.S.C. 312 (2006). The ex parte reexamination statute continues to provide—in language narrower than Section 314(d)—that a "determination by the Director * * * that no substantial new question of patentability has been raised will be final and nonappealable." 35 U.S.C. 303(c). The Government argues (Br. 46-48) that Congress viewed the difference in terminology as important, *i.e.*, that Congress intentionally opted for the broader language to foreclose all judicial review of institution decisions.

But "pre-AIA case law made clear that the limitations on the scope of reexamination authority were reviewable upon the final decision," without drawing

any apparent distinction between inter partes and ex parte reexamination. *Versata Dev. Grp., Inc.* v. *SAP Am., Inc.*, 793 F.3d 1306, 1321-1322 (Fed. Cir. 2015). Indeed, the Government acknowledges (Br. 48) that, notwithstanding the broader language of the inter partes reexamination statute, parties could challenge the Director's authority to institute. Congress presumably was aware of that practice when it incorporated the same language into Section 314(d). The Government is thus left to argue (Br. 48) that the text of Section 314(d) is not actually the same as former Section 312(c), but that is demonstrably incorrect. Both statutes refer to the Director's decision "whether to institute" "under" the respective sections. There is no material textual difference and thus no reason to think Congress intended a different result.

5. In an appeal to policy, the Government argues (Br. 50-51) that limiting judicial review of institution decisions furthers Congress's goal of improving patent quality. But the AIA does not pursue patent quality at all costs. See *Rodriguez* v. *United States*, 480 U.S. 522, 525-526 (1987) (per curiam) ("[N]o legislation pursues its purposes at all costs."). If it did, Congress would have vested the PTO with unlimited authority to institute IPR. Congress wanted the PTO to pursue patent quality *within the bounds established by the statute*. If the PTO suspects that a patent is invalid but an IPR may not be properly instituted, it is free to initiate ex parte reexamination. See 35 U.S.C. 303. What the PTO may not do, however, is assume a roving commission to initiate IPRs in violation of the AIA.

6. Finally, even if Congress intended Section 314(d) to bar any review of the Board's authority to institute, there is "an implicit and narrow" exception

"for agency action that plainly violates an unambiguous statutory mandate." *Versata*, 793 F.3d at 1342 (Hughes, J., concurring in part and dissenting in part) (citing *Leedom* v. *Kyne*, 358 U.S. 184 (1958)).[5] The Government responds that *Kyne* "permits review only when no statute precludes such review." Br. 50 n.13. That is a debatable reading of *Kyne*, which permitted review of an agency's ultra vires action in the face of a provision that did not authorize such review. See 358 U.S. at 188-189. Certainly it is not how the courts of appeals have read *Kyne*. See, *e.g.*, *Key Med. Supply, Inc.* v. *Burwell*, 764 F.3d 955, 962 (8th Cir. 2014) ("[A]n ultra vires action may be reviewed even in the face of a statutory bar on review."). At the least, however, the Government's reading of *Kyne* shows just how strong the presumption in favor of judicial review is. Section 314(d) is not sufficiently clear to overcome that presumption and bar claims that the Board ignored limits on its statutory authority.

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[5] Contrary to amicus Apple's argument (Br. 16-19), the *Kyne* exception does not apply only if the statutory limits on an agency's authority are jurisdictional in nature. Neither this Court nor lower courts have interpreted *Kyne* in that manner.

CONCLUSION

For the foregoing reasons and those stated in the opening brief, the judgment should be reversed and remanded.

Respectfully submitted.

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In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR AARP AS AMICUS CURIAE SUPPORTING RESPONDENT

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TABLE OF CONTENTS

TABLE OF AUTHORITIES ii

INTEREST OF AMICUS CURIAE 1

SUMMARY OF THE ARGUMENT 2

ARGUMENT 3

I. CONGRESS CREATED *INTER PARTES* REVIEW TO IMPROVE PATENT QUALITY AND GAVE THE PTO FULL AUTHORITY TO SET THE APPROPRIATE CLAIM CONSTRUCTION STANDARD 3

A. The Presumption That an Issued Patent is Valid Does Not Apply to Agency Decisions 5

II. PATENT CLAIMS THAT DO NOT MEET THE BROADEST REASONABLE INTERPRETATION STANDARD SHOULD BE INVALIDATED 6

III. DUBIOUS PATENTS INCREASE HEALTHCARE COSTS AND BLOCK BIOMEDICAL RESEARCH 11

CONCLUSION 14

TABLE OF AUTHORITIES

CASES

Ass'n for Molecular Pathology v. Myriad Genetics, Inc., 133 S. Ct. 2107 (2013) 2

Bilski v. Kappos, 561 U.S. 593 (2010) 2

Enzo Biochem, Inc. v. Applera Corp, 605 F.3d 1347 (Fed. Cir. 2010) 10

Ex Parte Kenichi Miyazaki, No. 2007-3300 89 U.S.P.Q.2d 1207 (B.P.A.I. Nov. 19, 2008) 11

In re Cuozzo Speed Technologies, LLC, 793 F.3d 1268 (Fed. Cir. 2015) 4, 10

In re Packard, 751 F.3d 1307 (Fed. Cir. 2014) 6

In re Yamamoto, 740 F.2d 1569 (Fed. Cir. 1984) 7

KSR Int'l Co. v. Teleflex, Inc., 550 U.S. 398 (2007) 5

McNeil-PPC, Inc. v. L. Perrigo Co., 207 F Supp. 2d 356 (E.D. Pa. 2002)..... 12

McNeil-PPC, Inc. v. L. Perrigo Co., 337 F.3d 1362 (Fed. Cir. 2003) 12

Medtronic, Inc. v. Mirowski Family Ventures, L.L.C., 134 S. Ct. 843 (2014) 3, 7

Nautilus Inc. v. Biosig Instruments, Inc., 134 S. Ct. 2120 (2014) 1, 2, 6

Phillips v. AWH Corp., 415 F.3d 1303 (Fed. Cir. 2005) 9

Precision Instrument Mfg. Co. v. *Auto. Main. Mach. Co.*, 324 U.S. 806 (1945) 7

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37 C.F.R. 42.100(b) 2

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35 U.S.C. § 112(b) 6
35 U.S.C. § 282 5
35 U.S.C. § 314 5
35 U.S.C. § 316(a) 14
35 U.S.C. § 316(a)(4) 4
35 U.S.C. § 316(e) 5
35 U.S.C. § 324 5

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157 CONG. REC. S1375
(daily ed. Mar. 8, 2011) 10

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(daily ed. Nov. 14, 2011) 4

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Stephen W Shondelmeyer & Leigh Purvis, *AARP: Rx Price Watch Report Trends in Retail Prices of Prescription Drugs Widely Used by Older Americans, 2006-2013* (2016), http://bit.ly/1yXUYDN 12

INTEREST OF AMICUS CURIAE[1]

AARP is a nonpartisan, nonprofit membership organization dedicated to addressing the needs and interests of people age fifty and older. AARP advocates for access to affordable healthcare and for controlling costs without compromising quality. Access to affordable healthcare is particularly important to the older population, which has higher rates of chronic and serious health conditions. Patents that have been improperly granted have a direct impact on the cost of prescription drugs. In light of the impact the cost of drugs has on the accessibility of healthcare, AARP's Public Policy Institute has been tracking the cost of widely used prescription drugs since 2004, and publishes the *Rx Price Watch* series reporting on changes in the cost of drugs widely used by older Americans.[2]

Through its charitable affiliate, AARP Foundation, AARP has previously served as amicus in other patent cases. *E.g., Nautilus Inc. v. Biosig*

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[1] In accordance with Supreme Court Rule 37.6. AARP states that: (1) no counsel to a party authored this brief, in whole or in part; and (2) no person or entity, other than AARP, its members and its counsel have made a monetary contribution to the preparation or submission of this brief. Consent of the parties has been obtained. Petitioner filed a blanket consent with the Court, and the Respondent has given written consent, which will be filed with the Clerk of the Court pursuant to Supreme Court Rule 37.3.

[2] The 2010-2016 editions are *available at* http://bit.ly/1yXUYDN.

Instruments, Inc., 134 S. Ct. 2120 (2014); *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013); *Bilski v. Kappos*, 561 U.S. 593 (2010).

This Court's decision, which will determine the claim-construction rule used at the United States Patent and Trademark Office (PTO), will impact the ability of interested parties to challenge questionable patents. In light of the significance of the issue presented in this case, AARP respectfully submits this amicus curiae brief to address the first question presented to the Court: whether the Patent Trial and Appeal Board may construe patent claims according to their broadest reasonable interpretation.

SUMMARY OF THE ARGUMENT

Congress designed the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), to overturn patents that should have never been issued in the first place. The current *inter partes* review (IPR) system is working as intended, and patents that should have never been issued are being invalidated. The Federal Circuit correctly held that the United States Patent and Trademark Office (PTO), in adopting 37 C.F.R. 42.100(b), acted within its rulemaking authority. which consistent with the agency's settled practice in other post-issuance proceedings provides that patent claims shall be given their "broadest reasonable construction" during *inter partes* review proceedings.

When patents are improperly issued they undermine competition, increase healthcare and other consumer costs, with no offsetting benefit to consumers. The public has a "paramount interest in seeing that patent monopolies are kept within their legitimate scope." *Medtronic, Inc. v. Mirowski Family Ventures, L.L.C.*, 134 S. Ct. 843, 851 (2014). As a result of the monopolies created by drug patents, health care consumers have paid ever-increasing prices for prescription medications. AARP's research indicates that between 2006 and 2013, retail prices for 140 brand-name drugs used by many older adults increased by an average of 113 percent. Stephen W. Shondelmeyer and Leigh Purvis, *AARP: Rx Price Watch Report* 1 (2014).[3] Low-quality patents have a direct impact on the cost of pharmaceutical drugs, to the detriment of older individuals and the public, generally. The Court should affirm the judgment of the Federal Circuit.

ARGUMENT

I. CONGRESS CREATED *INTER PARTES* REVIEW TO IMPROVE PATENT QUALITY AND GAVE THE PTO FULL AUTHORITY TO SET THE APPROPRIATE CLAIM CONSTRUCTION STANDARD.

The Leahy-Smith America Invents Act (AIA) Pub. L. No. 112-29, 125 Stat. 284 (2011) was

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[3] *Available at* http://www.aarp.org/content/dam/aarp/ppi/2014-11/rx-price-watch-report-AARP-ppi-health.pdf.

designed to get rid of patents that should not have been issued in the first place. One of the bill's authors noted that one of the purposes of the act was "to correct egregious errors" made by the PTO in granting patents. 157 CONG. REC. S7413 (daily ed. Nov. 14, 2011) (statement of Sen. Kyl) (reading into the Record a letter from Lamar Smith, Chairman of the House Judiciary Committee). As Sen. Smith noted: "The strength of our patent system relies on not simply the mechanical granting of a patent, but the granting of strong patents, ones that are truly novel and non-obvious inventions, that are true innovations and not the product of legal gamesmanship." *Id.* Through the AIA, Congress sought to provide "a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court." H.R. Rep. No. 112-98 pt. 1, at 48 (2011) (*House Report*).

The AIA instructs the PTO to "prescribe regulations establishing and governing inter partes review." 35 U.S.C. § 316(a)(4). Exercising that authority, the PTO adopted the broadest reasonable claim interpretation standard. 37 C.F.R. § 42.100. That standard has been employed by the PTO in a variety of contexts for a century, and, as the Federal Circuit noted, "[t]here is no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years." *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1277 (Fed. Cir. 2015).

A. The Presumption That an Issued Patent is Valid Does Not Apply to Agency Decisions.

In district court patent infringement litigation, there is a statutory presumption that an issued patent is valid. 35 U.S.C. § 282. That presumption, however, does not apply in IPR proceedings where, unpatentability needs to be proved by a preponderance of evidence. *See* Resp. Br. 6-7; 19-20. Unlike district court litigation, patent claims can still be amended or replaced during PTO administrative proceedings. *Id.*; 35 U.S.C § 316 (e). The IPR process can only be instituted when "there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C § 314; 324. Given the high standard to even institute IPR, and the "reasonable likelihood" that at least one of the patent claims is invalid it makes sense that the presumption of validity does not apply in IPR proceedings.

As this Court has previously noted, the presumption of patent validity is greatly diminished when patent examiners have not considered the prior art. *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398, 426 (2007). The United State Patent and Trademark office's initial determinations granting patents "...are reached under tight time constraints and on an *ex parte* basis allowing minimal opportunity to hear a third party's opposing views." Fed. Trade Comm, *To Promote Innovation. The Proper Balance of Competition and Patent Law and Policy*, 28 (Oct. 2003), http://1.usa.gov/1d7fQwQ. As the Federal Trade Commission observed given "all the failings of

ex parte examination" there is a compelling case against imposing a heightened evidentiary standard on parties who challenge patent validity. *Id.*; *see also* Doug Lichtman & Mark Lemley. *Rethinking Patent Law's Presumption of Validity*, 60 Stan. L. Rev. 45 (2007) (noting that given the high volume of patent applications "it is hardly a surprise that the PTO makes mistakes during the initial process of patent review, granting patents that, on the merits, should never have been issued. The real surprise is that the law makes issuance mistakes hard to reverse.").

II. PATENT CLAIMS THAT DO NOT MEET THE BROADEST REASONABLE INTERPRETATION STANDARD SHOULD BE INVALIDATED.

Patent claims "are required to be cast in clear—as opposed to ambiguous, vague, indefinite — terms. It is the claims that notify the public of what is within the protections of the patent, and what is not." *In re Packard*, 751 F.3d 1307, 1313 (Fed. Cir. 2014) (*citing United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236); *see also Nautilus*, 134 S. Ct. at 2129) (holding that a patent must be precise enough to afford clear notice of what is claimed to inform those skilled in the art about the scope of the invention with reasonable clarity). The Patent Act mandates that patent specifications be written using "full, clear, concise and exact terms." 35 U.S.C. § 112(a). The patent specification must particularly point out and "distinctly" claim the subject matter that the inventor regards as the invention. 35 U.S.C. § 112(b).

The public has a "paramount interest in seeing that patent monopolies are kept within their legitimate scope." *Medtronic, Inc.*, 134 S. Ct. at 851 As this Court noted in *Precision Instrument Mfg. Co.*,

> [a] patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the 'Progress of Science and useful Arts.' At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope.

324 U.S. at 816.

The broadest reasonable interpretation (BRI) standard "serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified." *In Re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). As the PTO notes in its Patent Trial Guide, the BRI approach ensures that the public can clearly understand the outer limits that applicants and patentees will attribute to their claims. Additionally, although the IPR process is still new, the AIA contemplates that:

> [T]here may be multiple proceedings involving related patents or patent applications in the Office at a particular time. For example, there may be an IPR of a patent that is also subject to an ex parte reexamination, where the patent is part of a family of co-pending applications all employing the same claim terminology. The Office applies the broadest reasonable interpretation standard in those proceedings, and major difficulties would arise where the Office is handling multiple proceedings with different applicable claim construction standards.

Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48764 (Aug. 14 2012)[4]; *see also* Resp. Br. 42.

As the PTO further explains,

> Only through the use of the broadest reasonable claim interpretation standard can the Office ensure that uncertainties of claim scope are removed or clarified. Since patent owners have the opportunity to amend their claims during IPR, PGR [Post Grant Review], and CBM [Covered Business Method] trials, unlike in district court proceedings, they are able to resolve ambiguities and

[4] *Available at* USPTO website, 1.usa.gov/1RsuRQj.

> overbreadth through this interpretive approach, producing clear and defensible patents at the lowest cost point in the system.

Id.

Petitioner and its amici urge this Court to force the PTO to adopt the claim construction standard described in *Phillips v. AWH Corp.*, 415 F.3d 1303. The *Phillips* standard, however, continues to create confusion. *See, e.g.*, Dan L. Burk and Mark A. Lemley, *Fence Posts or Sign Posts? Rethinking Claim Construction* 157 U. Pa. L. Rev. 1743, 1744-45 ("Despite repeated efforts to set out the rules for construing patent claims, culminating in the Federal Circuit's en banc *Phillips* decision in 2005, parties and courts seem unable to agree on what particular patent claims mean Literally every case involves a fight over the meaning of multiple terms, and not just the complex technical ones. Recent Federal Circuit cases have had to decide plausible disagreements over the meanings of the words 'a', 'or,' 'to,' 'including,' and 'through,' to name but a few ") (footnotes omitted).

Despite professing to give patent claims their "ordinary and customary" meaning, the *Phillips* standard upholds patent claims that redefine words and reject the ordinary meaning of words. Claim construction under *Phillips* specifically permits claim terms to have "a special definition given to a claim term by the patentee that differs from the meaning it would otherwise possess." *Phillips*, 415 F.3d at 1316.

What has been described as the "fractured nature of claim construction" after *Phillips* has caused some scholars and judges to urge courts to adopt the PTO's claim construction standard instead of the *Phillips* claim construction standard. *See, e.g.*, Andrew B. Dzeguze, *Did Markman and Phillips Answer the Right Question? A Review of the Fractured State of Claim Construction Law and the Potential Use of Equity to Unify It*, 15 Tex. Intell. Prop. L.J. 457, 482-489 (2007) (noting that post-*Phillips* claim construction is as fractured as ever; and proposing that district courts use the broadest reasonable interpretation rather than *Phillips)*; *Enzo Biochem, Inc. v. Applera Corp*, 605 F.3d 1347, 1348-1349 (Fed. Cir. 2010) (Plager J., dissenting from denial of panel rehearing) (noting the differences of approach between the PTO and the courts, and urging the Federal Circuit to "move in th[e] direction" of the PTO). Regardless of which standard would be preferable in district courts, Congress in enacting the AIA was well aware that the broadest reasonable interpretation standard was the prevailing rule at the PTO. *See* 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl). As the Federal Circuit held, "It can therefore be inferred that Congress impliedly approved the existing rule of adopting the broadest reasonable construction." *In re Cuozzo Speed Technologies, LLC*, 793 F.3d at 1277 Consistent with the BRI standard, the PTO can find claims to be indefinite "whenever reasonable alternative constructions are found to exist, requiring *applicants* to resolve the discovered ambiguities." Joshua D. Sarnoff & Edward D. Manzo, An Introduction to, Premises of, and Problems with Patent Claim Construction § 0:5 n.17 in *Patent Claim*

Construction In The Federal Circuit (Edward D. Manzo ed. 2016) (emphasis in original); ***Ex Parte Kenichi Miyazaki,*** No. 2007-3300,89 U.S.P.Q.2d 1207 (B.P.A.I. Nov 19, 2008) ("we hold that if a claim is amenable to two or more plausible claim constructions, the USPTO is justified in requiring the applicant to more precisely define the metes and bounds of the claimed invention"). As Judge Dyk explained in his opinion concurring in the denial of rehearing en banc, there are bills pending in Congress to change the IPR claim construction standard. If the claim construction standard is to be changed, it should be done by Congress, not the Court. Pet. App. 52a & n.1.

III. DUBIOUS PATENTS INCREASE HEALTHCARE COSTS AND BLOCK BIOMEDICAL RESEARCH.

Congress passed the AIA to "improve patent quality" and address a growing concern that the costs of patent litigation were negatively affecting the climate for investment and innovation. *House Report* 40, 48. The cost of litigating patent claims that result from poor patent quality is exceedingly high to both businesses and consumers. *See* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Circuit B.J. 539, 600 (noting that the cost of litigating a dubious patent can be millions of dollars, and that " it is often prohibitively expensive or even impossible to test the validity of a newly-issued patent that is of dubious validity, and the continued existence of a patent can disrupt

product development in a field of technology for years.").

The Federal Circuit itself has noted that when patents are improperly granted, " competition in the marketplace is foreclosed and the public is forced to pay higher prices." *McNeil-PPC, Inc. v. L. Perrigo Co.*, 337 F.3d 1362, 1368 (Fed. Cir. 2003) (quoting the District Court's opinion, *McNeil-PPC, Inc. v. L. Perrigo Co.*, 207 F Supp. 2d 356, 375 (E.D. Pa. 2002)). Unfortunately, the costs of patent litigation "are inevitably passed onto consumers, regardless of the outcome of the case." Brianna Lennon, *Antitrust Implications of Technology Patents*, 1 ABA Young Lawyer Div Antitrust Law Comm. Newsl. 8, 9 (2012), http://bit.ly/1fej47A.

Furthermore, improperly granted patents increase the cost of healthcare to the detriment of older people and the public, generally. AARP's most recent Public Policy Institute report analyzed the price changes in 622 commonly used drugs and found that: "[t]he average annual cost of [prescription drug] therapy was more than $11,000 per drug per year for widely used prescription drugs at the end-payer (retail) level in 2013." Stephen W Shondelmeyer & Leigh Purvis, *AARP: Rx Price Watch Report Trends in Retail Prices of Prescription Drugs Widely Used by Older Americans, 2006-2013* 6 (Feb.2016), http://bit.ly/1yXUYDN. The $11,000 average annual cost is almost half of the median income for Medicare beneficiaries ($23,500) and almost three-quarters of the average Social Security retirement benefit ($15,526). *Id.*, *see also* Jan

Blustein, *Drug Coverage and Drug Purchases by Medicare Beneficiaries with Hypertension*, 19 Health Aff. 219, 226 (2000), *available at* http://bit.ly/1l371My (noting that high cost of prescription drugs have compelled many older Americans to forgo needed drug treatment).

Prescription drug increases also affect employers, private insurers, and taxpayer-funded programs like Medicare and Medicaid. Generic drugs, available once a patent expires, or is found to be invalid, play a crucial role in containing rising prescription drug costs by offering consumers therapeutically identical alternatives to brand drugs at significantly reduced costs. The Generic Pharmaceutical Association reports that in 2014 alone "[g]eneric drugs were responsible for $254 billion in health system savings bringing the total savings over the last 10 years to $1.68 trillion. Generic Pharm. Ass'n, Generic Drug Savings in the U.S. 1 (7th ed. 2015), http://bit.ly/1Np0dGM.

Invalid patent claims not only impact the price of drugs, but can also block biomedical research. *See, e.g.*, Mildred K. Cho et al., *Effects Of Patents And Licenses On The Provision Of Clinical Genetic Testing Services*, 5 J. Molecular Diagnostics 3, 7 (2003), *available at* http://1.usa.gov/1bqUNKz (noting that more than half of laboratory directors had decided not to develop or perform tests specifically because of intellectual property considerations). The mere "knowledge that a patent application has been filed can influence the decision to spend the time and resources to develop a clinical test because of the

uncertain risk that a patent holder will later prevent the laboratory from continuing to provide this service." Jon F. Merz, *Disease Gene Patents: Overcoming Unethical Constraints on Clinical Laboratory Medicine*, 45 Clinical Chemistry 324, 327 (1999), *available at* http://bit.ly/1gmvaYJ. Such concerns motivated Congress to pass the AIA and authorize the PTO to prescribe regulations establishing and governing IPR review. 35 U.S.C. § 316(a). Patent claims that do not meet BRI standard should be invalidated.

CONCLUSION

For the foregoing reasons, the Federal Circuit's judgment should be affirmed.

Respectfully submitted,

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OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE AMERICAN BANKERS ASSOCIATION, THE CLEARING HOUSE PAYMENTS COMPANY L.L.C., FINANCIAL SERVICES ROUNDTABLE, AND THE INDEPENDENT COMMUNITY BANKERS OF AMERICA AS *AMICI CURIAE* IN SUPPORT OF RESPONDENT

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March 30, 2016

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TABLE OF CONTENTS

	Page
TABLE OF CONTENTS.	i
TABLE OF CITED AUTHORITIES	iii
INTEREST OF *AMICI CURIAE*	1
SUMMARY OF ARGUMENT	4
ARGUMENT.	6
I. THE PTO CANCELS CLAIMS LESS FREQUENTLY IN APPLYING THE BRI STANDARD THAN DISTRICT COURTS INVALIDATE PATENTS USING THE *PHILLIPS* STANDARD.	6
II. CONGRESS INTENDED IPR PROCEEDINGS TO BE AN EXTENSION OF THE PROSECUTION PROCESS, AND IPR PROCEEDINGS ARE INHERENTLY DIFFERENT FROM DISTRICT COURT LITIGATION..	10
III. CONGRESS CONTEMPLATED THE POSSIBILITY THAT THE PTAB AND A COURT MIGHT REACH DIFFERENT CONCLUSIONS AS TO CLAIM PATENTABILITY..	14

Table of Contents

Page

IV. THE FINANCIAL SERVICES INDUSTRY IS SIGNIFICANTLY IMPACTED BY LOW QUALITY PATENTS AND HAS A PARTICULAR INTEREST IN MAINTAINING THE INTEGRITY OF IPR AS A MECHANISM TO CANCEL WEAK CLAIMS IN SUCH PATENTS. .15

CONCLUSION .17

TABLE OF CITED AUTHORITIES

Page

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IPR2013-00036, Paper 64
(P.T.A.B. Jan. 21, 2014) .8

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837 F.2d 33 (2d Cir. 1987) .14

Colo. River Water Conservation Dist. v.
United States,
424 U.S. 800 (1976). 14-15

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545 F.3d 943 (Fed. Cir. 2008), *aff'd*,
561 U.S. 593 (2010) 15-16

Kahn v. Gen. Motors Corp.,
135 F.3d 1472 (Fed. Cir. 1998). .10

Laker Airways Ltd. v.
Sabena, Belgian World Airlines,
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Microsoft Corp. v. i4i Ltd. P'ship,
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Page

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35 U.S.C. § 316(e) .12

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Stephen Joyce, *New Technologies Make Banks a Magnet for Patent Trolls*, BLOOMBERG BNA (Sept. 16, 2015) .16

USPTO, PATENT TRIAL AND APPEAL BOARD STATISTICS (Feb. 29, 2016) 7, 8, 9

INTEREST OF *AMICI CURIAE*[1]

Amicus The American Bankers Association ("ABA") is the principal national trade association of the financial services industry in the United States. Founded in 1875, the ABA is the voice for the nation's $13 trillion banking industry and its million employees. ABA members are located in each of the fifty States and the District of Columbia, and include financial institutions of all sizes and types, both large and small. The ABA, whose members hold a substantial majority of domestic assets of the banking industry of the United States and are leaders in all forms of consumer financial services, often appears as amicus curiae in litigation that affects the banking industry.

The Clearing House is a banking association and payments company that is owned by the largest commercial banks and dates back to 1853. Amicus The Clearing House Payments Company L.L.C. owns and operates core payments system infrastructure in the United States and is currently working to modernize that infrastructure by building a new, ubiquitous, real-time payment system. The Payments Company is the only private-sector automated clearing house ("ACH") and wire operator in the United States, clearing and settling nearly $2 trillion in U.S. dollar payments each day, representing

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1. This brief is filed with the written consent of all parties. The petitioner has filed a blanket consent with the Court, and the government has consented by letter, filed with this brief. No counsel for any party authored this brief in whole or in part, and no person or entity other than amici curiae, their members, or their counsel made a monetary contribution intended to fund its preparation or submission.

half of all commercial ACH and wire volume. Its affiliate, The Clearing House Association L.L.C., is a nonpartisan organization that engages in research, analysis, advocacy, and litigation focused on financial regulation that supports a safe, sound, and competitive banking system.

Financial Services Roundtable ("FSR") is the leading advocacy organization for America's financial services industry. With a 100-year tradition of service and accomplishment, FSR is a dynamic, forward-looking association advocating for the top financial services companies, keeping them informed on the vital policy and regulatory matters that impact their business. FSR members include the leading banking, insurance, asset management, finance and credit card companies in America. Its members are financing the American economy—creating jobs, expanding businesses, securing homes, businesses and retirement, insuring growth, and building consumer confidence.

FSR is driven at the CEO level, giving it a unique and influential voice in Washington. FSR believes a competitive, private marketplace provides the best mechanism for financing and growing the American economy. Financial services companies provide the capital, security, and the foundation needed for economic growth in both the domestic and global markets. Improving public policy governing the financial services sector is vital to ensure fair and clear rules exist that balance consumer and business needs with financial security and economic growth.

Amicus The Independent Community Bankers of America®, the nation's voice for more than 6,000

community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services. With 52,000 locations nationwide, community banks employ 700,000 Americans, hold $3.6 trillion in assets, $2.9 trillion in deposits, and $2.4 trillion in loans to consumers, small businesses, and the agricultural community.

The associations joining this brief, and their members, have a strong interest in the proper implementation of the America Invents Act ("AIA") post-grant proceedings, such as *inter partes* review ("IPR"). America's financial services companies rely on a strong patent system to protect their investments in innovative technologies. For many years, the financial services industry has been plagued by patent litigation based on patents that are of low quality and that should not have issued. Such patents, frequently asserted by non-practicing entities (*i.e.*, "patent trolls") seeking to extract payments based on the high cost of district court patent litigation, rather than the merits of their patent infringement case, are a major burden and a detriment to economic progress and actual innovation. The financial services industry therefore has a strong interest in ensuring that AIA post-grant proceedings, which were designed to provide a lower-cost alternative to district court litigation for determining patent validity, are effective at accomplishing that goal.

The adoption of the broadest reasonable interpretation ("BRI") standard by the United States Patent and Trademark Office ("PTO") has achieved the central goals of IPR proceedings—the availability of an expeditious

process to eliminate or narrow invalid or weak patent claims. The PTO is administering IPRs properly and effectively, and this Court should affirm the decision of the Federal Circuit in order to ensure a competitive marketplace, decrease the cost of litigation, and curb the threat of frivolous patent litigation.

SUMMARY OF ARGUMENT

Cuozzo and its amici advance arguments that fail to justify the abandonment of the BRI standard.

First, Cuozzo contends that, using the BRI standard, IPR proceedings invalidate too many patents. According to Cuozzo, 87% of IPR trials completed to date have resulted in the cancellation of one or more claims challenged. This figure is misleading. Most IPR petitions filed do not result in a completed trial because the PTO denies the petition at the institution stage or the parties reach a settlement. Of all IPR petitions that have been filed and resolved to date, only 26% have resulted in the cancellation of even a single claim. This is far fewer than the 42% of invalidity challenges that are successfully litigated in federal court. The drastic impacts that Cuozzo attributes to the BRI standard simply do not exist.

Second, district court litigation and IPRs are fundamentally different, and the same standard should not apply in both. In federal district court, a patent is presumed valid and a party challenging patent validity must prove invalidity by clear and convincing evidence. In an IPR, by contrast, there is no statutory presumption of validity, and the burden of proof is preponderance of the evidence. Further, of 2,731 completed IPR petitions,

there has been live witness testimony at a hearing only once, and videotaped cross-examinations of declarants are rarely played for the fact-finder. Moreover, in creating IPR proceedings, Congress specified that IPRs would determine whether an invention is "unpatentable," 35 U.S.C. § 311(b)—the same language used during the patent examination process and where the BRI standard is applied; by contrast, district court patent litigation determines patent "invalidity." *Id.* § 282(a). This deliberate textual choice by Congress supports the application of the BRI standard in IPRs. Finally, a patentee has the ability to amend claims in an IPR, so IPRs are more akin to patent examination than to district court litigation, where claims cannot be amended.

Third, Congress was aware that IPRs would often be conducted in parallel to district court or other proceedings when it enacted the AIA. Such parallel proceedings are not uncommon. For example, this Court has recognized that parallel proceedings involving the same parties and the same claims in state and federal courts are not improper, and whichever court's decision becomes final for *res judicata* purposes will be binding on the other court. These proceedings may apply different procedural rules and even substantive law, possibly impacting the outcomes. The existence of parallel proceedings does not support the abandonment of the BRI standard.

Fourth, the financial services industry has been particularly harmed by an ever-increasing number of frivolous lawsuits filed by the owners of low-quality patents. Congress, in enacting the AIA, created an efficient mechanism to cancel claims in low-quality patents, saving banks and other financial service providers, and ultimately

consumers, the substantial costs involved in protracted litigation. The BRI standard, as an extension of the patent examination process, is an important reason why IPRs are efficient. This Court should affirm the decision of the Federal Circuit and maintain the integrity of IPRs.

ARGUMENT

I. THE PTO CANCELS CLAIMS LESS FREQUENTLY IN APPLYING THE BRI STANDARD THAN DISTRICT COURTS INVALIDATE PATENTS USING THE *PHILLIPS* STANDARD.

In the first paragraph of the "Questions Presented" section on the first page of its brief, Cuozzo states that "inter partes review (IPR) has been both unexpectedly popular and surprisingly lethal." Pet Br. I. Cuozzo continues that, "[s]ince the inception of IPR, patent challengers have filed over 3,900 petitions, and nearly 87% of the IPR trials completed to date have resulted in the cancellation of some or all claims in the patent under review." *Id.* Thus, according to Cuozzo, the use of the BRI standard in IPRs almost always results in patent invalidation. *See, e.g., id.* ("Of course, the broader the interpretation of the claim, the more extensive the array of relevant prior art–and in turn the more likely that the claim will be held invalid in light of that prior art."). The statistics cited by Cuozzo misrepresent the true outcome of most IPR petitions and, in turn, distort the impact of the BRI standard on claim validity.

First, fewer than half of IPR petitions filed result in the institution of an IPR. As the panel majority

recognized, the PTO may institute an IPR only if the Board "determines that the information presented in the petition ... and any response ... shows that there is a reasonable likelihood that the petitioner would prevail." Pet. App. 6a (quoting 35 U.S.C. § 314(a)). Thus, a prospective petitioner is unlikely to file an IPR petition in the first place unless the petitioner reasonably believes that the petition will be successful. Nonetheless, the PTO has instituted proceedings for fewer than half of the petitions completed to date.[2] PTAB Statistics 9 (trials were *not* instituted for 1,372 of the 2,731 IPR petitions completed to date[3]). This demonstrates the difficulty in overcoming the "reasonable likelihood" threshold. A majority of the petitions for which proceedings were not instituted were denied by the PTO; the others were settled or otherwise resolved before an institution decision was made. *Id.*

When the PTO did institute an IPR, less than two thirds of those petitions resulted in a final written decision. *Id.* Just over 500 of the 1,359 petitions that reached the proceedings stage were terminated before the proceedings were completed, and 73% of those were settled by the parties. *Id.* Notably, the PTO has discretion to continue the proceeding to a final written decision on the merits even where the parties have reached a settlement and filed a joint motion to terminate. *See* 35 U.S.C. §§ 317(a),

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2. USPTO, PATENT TRIAL AND APPEAL BOARD STATISTICS 9 (Feb. 29, 2016) ("PTAB Statistics"), *available at* http://www.uspto.gov/sites/default/files/documents/2016-2-29%20PTAB.pdf.

3. "'Completed' petitions include terminations (before or after a decision on institution) due to settlement, request for adverse judgment, or dismissal; final written decisions; and decisions denying institution." PTAB Statistics 12.

327(a); *see also Blackberry Corp. v. Mobilemedia Ideas LLC*, IPR2013-00036, Paper 64, at 2 (P.T.A.B. Jan. 21, 2014). Even so, the Board has approved almost 400 post-institution settlements and many more pre-institution settlements. PTAB Statistics 9.

In summary, while Cuozzo is correct that "nearly 87% of the IPR *trials* completed to date have resulted in the cancellation of some or all claims in the patent under review," only 26% of completed IPR *petitions* have resulted in the cancellation of one or more claims. PTAB Statistics 9. That is because most IPR petitions do not result in a final written decision (what Cuozzo refers to as a "completed trial") either because the petition is denied at the institution stage or because the parties reach a settlement. Moreover, the institution rate fell by nearly 10% from fiscal year 2013 to fiscal year 2014, and fell another 10% the following fiscal year. *Id.* at 7. With fewer and fewer IPR petitions being instituted, the number of petitions leading to a final written decision is also dropping.

The PTO's patent-claim-specific data further underscore the reality of how infrequently IPR petitions lead to claim cancellation. In the 2,731 IPR petitions completed to date, the PTO instituted review of only 44% of challenged claims. PTAB Statistics 12. Further, the PTO found unpatenable just under 50% of claims for which review was instituted. *Id.* In other words, the PTO invalidated 21% of all claims challenged in completed IPR petitions. *Id.* These numbers paint a far different picture than the intended-to-alarm statistics cited by Cuozzo on the first page of its brief.

Citing the same statistics as Cuozzo, amicus Pharmaceutical Research and Manufacturers of America ("PhRMA") argues that patents deemed not invalid in district court may nevertheless be cancelled in IPR proceedings. According to PhRMA, "87% of final written [IPR] decisions find[] at least some claims unpatentable" while "invalidity challenges litigated in federal court prevail only 42% of the time." PhRMA Br. 8 (citing John R. Allison *et al.*, *Understanding the Realities of Modern Patent Litigation*, 92 TEX. L. REV. 1769, 1787 (2014)). As discussed above, however, only 26% of IPR petitions completed to date have resulted in the cancellation of even a single claim and only 21% of claims challenged in completed IPR petitions have been cancelled. PTAB Statistics 9, 12. The data simply do not support the conclusion that the PTO's application of the BRI standard in IPRs is more fatal to patent claims than district court invalidity challenges.[4] On the contrary, district court litigation results in claim invalidation far more frequently than do IPR proceedings.

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4. In his amicus brief, Judge Paul R. Michel, retired Chief Judge of the Federal Circuit, argues that "[m]uch of the problem with the BRI standard comes from a failure to apply it properly, and thus to unduly separate it from the *Phillips* standard for claim construction." Michel Br. 1. Judge Michel suggests that, if properly interpreted, "the distinction between *Phillips* and BRI falls away." *Id.* at 10. The BRI standard is not the same as the *Phillips* standard, and, for the reasons explained in this brief and respondent's brief, this Court should decline Judge Michel's invitation to strip all substance from the BRI standard.

II. CONGRESS INTENDED IPR PROCEEDINGS TO BE AN EXTENSION OF THE PROSECUTION PROCESS, AND IPR PROCEEDINGS ARE INHERENTLY DIFFERENT FROM DISTRICT COURT LITIGATION.

Cuozzo argues that "Congress created IPR as a substitute for district court adjudication of patent validity, not as an extension of the examination process." Pet. Br. 26. But IPRs are different in many ways from district court litigation. Moreover, the AIA's statutory language indicates that Congress intended IPRs to be an extension of the patent prosecution process. The BRI standard should therefore be applied in IPRs.

The most obvious difference between IPRs and district court proceedings is that they do not apply the same presumption of validity or the same burden of proof. In district court invalidity proceedings, the court starts with the presumption that the patent is valid. 35 U.S.C. § 282 ("[a] patent shall be presumed valid"); *see also Kahn v. Gen. Motors Corp.*, 135 F.3d 1472, 1480 (Fed. Cir. 1998) ("The presentation of evidence that was not before the examiner does not change the presumption of validity ...."). Accordingly, a defendant must prove invalidity by clear and convincing evidence. *See Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 91 (2011). By contrast, in an IPR, there is no statutory presumption of validity, and "the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence." 35 U.S.C. § 316(e).

Further, while the regulations refer to an IPR proceeding as "a trial," *see* 37 C.F.R. § 42.100(a), the procedures used during IPRs bear little resemblance

to the recognized attributes of a trial before a court. For instance, discovery is quite circumscribed. In IPRs, discovery is limited by statute to "the deposition of witnesses submitting affidavits or declarations" and "what is otherwise necessary in the interest of justice." 35 U.S.C. § 316(a)(5).

Another difference between an IPR and district court invalidity litigation is that, with a single exception, there has never been live witness testimony in an IPR "trial."[5] One of the judges who presided over the single IPR where a live witness was heard stated afterward "that live testimony will be a rare exception at oral arguments."[6] To date, there have been no other live witnesses in the 2,731 completed IPRs.

Where "the fact-finder has personally heard the testimony and observed the demeanor of witnesses, [reviewing courts] accord deference to the fact-finder's assessment of a witness's credibility and character." *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1180 (Fed. Cir. 1995). There is no opportunity for the judges presiding over IPRs to make such determinations. Not only are there virtually never live witnesses at IPRs, videotaped cross-examination of declarants are rarely played during IPR hearings.[7] Instead, parties submit briefs and make

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5. Brian Mahoney, *First Ever Inter Partes Live Witness Takes Stand at PTAB*, Law360.com (June 17, 2014), *available at* http://www.law360.com/articles/545409/first-ever-inter-partes-live-witness-takes-stand-at-ptab.

6. *Id.*

7. Douglas Robinson, *Deposition in Inter Partes Review Is a Different Animal*, Law360.com (Dec. 15, 2014) ("[P]roviding videotaped testimony at an [IPR] hearing is also rare ...."),

arguments citing or referring to the declarant's testimony. This is significantly different from the typical district court trial where the fact-finder hears live testimony and has an opportunity to make important credibility and character determinations.

Moreover, if the *Phillips* standard were applied in IPRs, a petitioner would likely need to proffer testimony on what a person of skill in the art would understand each claim to mean, a common feature in district courts. An evidentiary hearing would substantially burden the PTO and make it difficult or impossible for the agency to resolve each IPR petition within 12 months of the institution date, as is mandated by statute. This would undermine the efficiency of the IPR process, one of the primary goals behind its creation, and would make IPRs more like district court patent litigation, where the median time to trial is now 2.4 years.[8]

Further, the language used by Congress in the AIA supports application of the BRI standard. Congress used the terms "unpatentable" and "unpatentability" throughout the sections of the AIA that created *inter partes* review. *See, e.g.*, 35 U.S.C. §§ 311(b), 316(e). The purpose of the patent examination process is likewise to determine whether an invention is "patentable." 35 U.S.C. § 101. District courts, by contrast, determine

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available at http://www.law360.com/articles/602026/deposition-in-inter-partes-review-is-a-different-animal.

8. PricewaterhouseCoopers, *2015 Patent Litigation Study: A Change in Patentee Fortunes* 2 (May 2015), *available at* https://www.pwc.com/us/en/forensic-services/publications/assets/2015-pwc-patent-litigation-study.pdf.

patent "invalidity." 35 U.S.C. § 282(a). Congress' use of the same terminology in creating IPRs as is used in patent examination demonstrates that it viewed IPRs as closer to examination than to litigation, and it is evidence that Congress contemplated that the BRI standard should apply in IPRs.

Finally, the AIA authorizes a patentee to file, after an IPR has been instituted, "1 motion to amend the patent" to (i) "[c]ancel any challenged patent claim," and (ii) "[f]or each challenged claim, propose a reasonable number of substitute claims." 35 U.S.C. § 316(d)(1). In district court invalidity litigation, by contrast, a patentee cannot amend any claims. In presenting the opportunity for claim amendment, IPR is once again more similar to the patent examination process, where the BRI standard is applied, and less like district court litigation, where the *Phillips* standard applies.

Cuozzo argues that the "text, structure, and history of the AIA all confirm th[e] common-sense conclusion" that the same standard should be applied in IPRs and district court adjudications. Pet Br. 26. As discussed above, however, there are fundamental and undisputed differences between IPRs and district court invalidity litigation that belie Cuozzo's argument. And, as discussed, the language of the AIA supports the conclusion that Congress intended that the BRI should apply in IPR proceedings. It is therefore appropriate for the PTO to apply the BRI standard in IPRs.

III. CONGRESS CONTEMPLATED THE POSSIBILITY THAT THE PTAB AND A COURT MIGHT REACH DIFFERENT CONCLUSIONS AS TO CLAIM PATENTABILITY.

Amicus Intellectual Ventures Management LLC argues that, "[b]ecause of the difference in standards, IPR and district court litigation often result in different answer to the exact same questions." Intellectual Ventures Br. 8. To begin with, the premise of the argument—that different standards lead to a higher invalidity rate in IPRs than in district court—is simply wrong. As discussed above, *see supra* at 6-9, the data do not support the conclusion that "the brief experience already available confirms that the broadest-reasonable-interpretation standard results in broader claim constructions and higher rates of patent invalidation in IPR." Intellectual Ventures Br. 8-9.

In any event, there is nothing unique or troubling about the possibility of different results in district court and the PTAB. Indeed, there is a long history in the United States of parallel litigation in state and federal court involving the same claims and the same parties.

"Concurrent jurisdiction in two courts does not necessarily result in a conflict. When two sovereigns have concurrent *in personam* jurisdiction one court will ordinarily not interfere with or try to restrain proceedings before the other." *China Trade & Dev. Corp. v. M.V. Choong Yong*, 837 F.2d 33, 36 (2d Cir. 1987) (citation omitted). "Generally, as between state and federal courts, the rule is that the pendency of an action in the state court is no bar to proceedings concerning the same matter in the Federal court having jurisdiction." *Colo. River Water*

Conservation Dist. v. United States, 424 U.S. 800, 817 (1976) (quotation marks omitted). "[P]arallel proceedings on the same in personam claim should ordinarily be allowed to proceed simultaneously, at least until judgment is reached in one which can be pled as res judicata in the other." *Laker Airways Ltd. v. Sabena, Belgian World Airlines*, 731 F.2d 909, 926-27 (D.C. Cir. 1984) (citing *Colo. River Water Conservation Dist.*, 424 U.S. at 817). Given differences in state and federal procedural law, there is no certainty that the same standard of review would apply in the parallel proceedings in state and federal court.

The existence of parallel proceedings is thus well established in the law. Further, Congress was well aware of the possibility of parallel proceedings when it enacted the AIA and specifically provided for such situations in the text of the statute. *See* 35 U.S.C. § 315 (section entitled "Relation to other proceedings or actions"). The fact that the PTO might reach a different conclusion as to claim patentability than a district court does not justify the abandonment of the BRI standard.

IV. THE FINANCIAL SERVICES INDUSTRY IS SIGNIFICANTLY IMPACTED BY LOW QUALITY PATENTS AND HAS A PARTICULAR INTEREST IN MAINTAINING THE INTEGRITY OF IPR AS A MECHANISM TO CANCEL WEAK CLAIMS IN SUCH PATENTS.

Since 1998, when the Federal Circuit ruled that business methods and processes were patent eligible, *see State Street Bank & Trust Co. v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. 1998), *abrogated in part by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008), *aff'd*,

561 U.S. 593 (2010), the number of patent infringement cases brought against banks and other financial service providers has substantially increased.[9] "The number of campaigns, or orchestrated litigations by a single patent assertion entity against multiple banks alleging infringement of at least one common patent, increased from eight in 2008 to 14 in 2011 and 19 in 2012."[10] "The number of banks named in the lawsuits between 2008 and 2013 increased nearly 100 percent, to 127 banks."[11] Many of these lawsuits are brought by owners of "patents of dubious quality through vaguely worded demand letters or intentionally vague complaints."[12]

Thus, the financial services industry has a particular interest in the integrity of the IPR procedure. Since their creation, IPRs (as an extension of the patent examination process) have been a useful and efficient mechanism to cancel claims in low-quality patents. The BRI standard has been an essential component in the success of IPR

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9. Stephen Joyce, *New Technologies Make Banks a Magnet for Patent Trolls*, Bloomberg BNA (Sept. 16, 2015), *available at* http://www.bna.com/new-technologies-banks-n17179936102/.

10. *Id.*

11. *Id.*

12. Statement from the Am. Bankers Ass'n *et al.* to Michael C. Burgess, Chairman, Subcomm. on Commerce, Mfg. & Trade, United States House of Representatives for the Record for the Energy and Commerce Subcommittee hearing entitled "Update: Patent Demand Letter Practices and Solutions," (Feb. 25, 2015), *available at* http://www.cuna.org/Legislative-And-Regulatory-Advocacy/Legislative-Advocacy/Letters-and-Testimony/Letters/2015/02_25_15-LTR-JT-House-Energy-and-Commerce-CMT-Patent/.

proceedings as a mechanism to prevent the owners of low-quality patents from filing frivolous lawsuits against financial service providers.

The financial services industry, represented by the amici trade associations here, urges this Court to affirm the decision of the Federal Circuit and to uphold the integrity of IPR proceedings.

CONCLUSION

For the foregoing reasons, as well as the reasons set forth in respondent's brief, the decision of the court of appeals should be affirmed.

Respectfully submitted.

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No. 15-446

IN THE

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE
Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

STATEMENT OF INTEREST 1
SUMMARY OF ARGUMENT 2
ARGUMENT 3
I. The Federal Circuit erred by approving the use of the BRI standard in AIA trials. 3
a. The BRI standard was specially crafted for patent examinational proceedings. 5
b. By adopting the AIA, Congress intended the Office to adjudicate the validity of patent claims under the same claim construction standard as applied in district courts. 7
c. Using the BRI standard in AIA trials conflicts with Congressional intent 9
d. An illusory opportunity to amend does not justify applying BRI. 13
II. Disregarding the distinction between examinational and adjudicative procedures distorts patent law and produces uncertainty. 15
a. Issued patents litigated in AIA trials are entitled to the statutory presumption of validity under 35 U.S.C. § 282. 16

b. Using BRI is contrary to long-standing precedent that patent claims must have the same construction for validity and infringement. 20

c. Applying different standards results in conflicts and inconsistency. 21

III. Section 314 does not limit the scope of appellate review of final written decisions in AIA trials 25

a. Limits on the ban of judicial review are expressed in the statute 26

b. Issues considered in a decision to institute may also be considered on appeal of a final written decision when relevant to the statutory authority of the PTAB. 29

c. Section 314(d) does not eliminate the traditional presumption that actions of the executive branch are subject to judicial review 32

CONCLUSION 36

TABLE OF AUTHORITIES

Cases

Abbott Labs. v. Cordis Corp.,
710 F. 3d 1318 (Fed. Cir. 2013) 13

Abbott Labs. v. Gardner,
387 U.S. 136 (1967) 33

Achates Reference Publishing, Inc. v. Apple Inc.,
803 F 3d 652 (Fed. Cir. 2015) 31

Arctic Cat, Inc. v. Polaris Industries,
IPR2014-01427 – 01428, Paper 56 (PTAB Jan. 4, 2016) 23

Asphalt Sales Co., Inc. v. Wilshire Oil Co. of Texas,
511 F.2d 1073 (10th Cir.1975) 29

Athletic Alternatives, Inc. v. Prince Mfg., Inc.,
73 F.3d 1573 (Fed. Cir. 1996) 18

Automated Merch. Sys., Inc. v. Lee,
782 F.3d 1376 (Fed. Cir. 2015) 28

Bennett v. Spear,
520 U.S. 154 (1997) 28

Block v. Community. Nutrition Inst.,
467 U.S. 340 (1984) 34

Bowen v. Mich. Acad. of Family Physicians,
476 U.S. 667 (1986) 33

Chevron USA Inc. v. Nat. Res. Def. Council, Inc.,
467 U.S. 837 (1984) 4

Chicago Mercantile Exch., Inc. v. Fifth Market, Inc.,
2014 WL 7273560 (PTAB Dec. 17, 2014)..... 14

Dome Patent LP v. Lee,
799 F. 3d 1372 (Fed. Cir. 2015)..... 19

Fresenius USA, Inc. v. Baxter International, Inc.,
721 F.3d 1330 (Fed. Cir. 2013)..... 21, 22

Federal Trade Comm'n v. Standard Oil Co. of Cal.,
449 U.S. 232 (1980) 28

Gore & Associates, Inc. v. Garlock, Inc.,
842 F.2d 1275 (Fed. Cir. 1988)..... 20

Gosling v. Roberts,
106 U.S. 39 (1882) 20

GTNX, Inc. v. INTTRA, Inc.,
789 F. 3d 1309 (Fed. Cir. 2015)..... 35

Harmonic, Inc. v. Avid Tech., Inc.,
No. 2015-1072, slip op. (Fed. Cir. Mar. 1, 2016)
..... 35

In re Baxter Int'l, Inc.,
678 F.3d 1357 (Fed. Cir. 2012)..... 21

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793 F.3d 1297 (Fed. Cir. 2015).....10, 16, 18, 35

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749 F.3d 1379 (Fed. Cir. 2014)..... 34

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756 F.2d 852 (Fed. Cir. 1985)..... 12, 18

In re MCM Portfolio, LLC,
554 F. App'x 944 (Fed. Cir. 2014) 35

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127 F.3d 1048 (Fed. Cir. 1997)..... 6

In re Prater,
415 F.2d 1393 (C.C.P.A. 1969) 5

In re Proctor & Gamble Co.,
749 F.3d 1376 (Fed. Cir. 2014)..... 34

In re Rambus, Inc.,
753 F.3d 1253 (Fed. Cir. 2014)..... 6, 19

In re Reuter,
651 F.2d 751 (C.C.P.A. 1981) 6

In re Yamamoto,
740 F 2d 1569 (Fed. Cir. 1984)..... 6

In re Zletz,
893 F.2d 319 (Fed. Cir. 1989)..... 5

Int'l Flavors & Fragrances Inc. v. U.S. Department of Agriculture,
2014 WL 2120542 (PTAB May 20, 2014)..... 14

Kimberly-Clark Corp. v. Johnson & Johnson,
745 F.2d 1437 (Fed. Cir. 1984)..... 20

Klein v. Russell,
86 U.S. (19 Wall.) 433 (1874) 17

Knapp v. Morss,
150 U.S. 221 (1893) 20

Liebel-Flarsheim Co. v. Medrad, Inc.,
358 F.3d 898 (Fed. Cir. 2004)..... 17

Mach Mining, LLC v. E.E.O.C.,
135 S. Ct. 1645 (2015) 34

Markman v. Westview Instruments, Inc.,
52 F.3d 967 (Fed. Cir. 1995).....passim

MCM Portfolio LLC v. Hewlett-Packard Co.,
No. 2015-1091, slip op. (Fed. Cir. Dec. 2, 2015) 35

Microsoft Corp. v. Proxyconn, Inc.,
789 F.3d at 1298 (Fed. Cir. 2015) 14, 24

Motion Picture Patents Company v. Universal Film Mfg. Co.,
243 U.S. 502 (1917) 20

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005).....passim

PPC Broadband, Inc. v. Corning Optical Comm. RF, LLC,
2016 WL 692369 (Fed. Cir. Feb. 22, 2016).... 5, 23

PPC Broadband, Inc. v. Corning Optical Comm. RF, LLC,
No. 2015-1361, slip op. (Fed. Cir. Feb. 22, 2016)..... 5, 23

Prolitec, Inc. v. Scentair Tech., Inc.,
807 F. 3d 1353 (Fed. Cir. 2015)..... 15

REG Synthetic Fuels LLC v. Neste Oil Oyj,
2015 WL 3609359 (PTAB June 5, 2015)..... 14

Riverbed Tech., Inc. v. Silver Peak Systems, Inc.,
2014 WL 7405745 (PTAB Dec. 30, 2014)..... 14

Southern Ry. Co. v. Seaboard Allied Milling Corp.,
442 U.S. 444 (1979) 28

Google, Inc. v. Whitserve LLC,
2014 WL 4537504 (PTAB Sept. 9, 2014) 18

Sightsound Techs., LLC v. Apple Inc.,
No. 2015-1159, slip op. (Fed. Cir. Dec. 15, 2015)..... 35

Social Sec. Bd. v. Nierotko,
327 U.S. 358 (1946) 33

St. Jude Med., Cardiology Div. v. Volcano Corp.,
749 F.3d 1373 (Fed. Cir. 2014)..... 34

Trivascular, Inc. v. Samuels,
No. 2015-1631, slip op. (Fed. Cir., Feb. 5, 2016)
..... 24

Turrill v. Michigan, S. & N.I.R.R.,
68 U.S. (1 Wall.) 491 (1864) 17

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793 F.3d 1306 (Fed. Cir. 2015)....27, 28, 30, 31, 33

VirtualAgility Inc. v. Salesforce.com, Inc.,
759 F.3d 1307 (Fed. Cir. 2014) 22

Statutes

35 U.S.C. § 100(i) 10

35 U.S.C. § 135(a) 10

35 U.S.C. § 251 9

35 U.S.C. § 282 ..... i, 2, 16, 17,18

35 U.S.C. § 302 9

35 U.S.C. § 305 5

35 U.S.C. § 311 26

35 U.S.C. §§ 311-314 9

35 U.S.C. § 314(d) 3, 25

35 U.S.C. § 315(b) 31

35 U.S.C. § 316(a)(9) 13

35 U.S.C. § 318 3

35 U.S.C. § 316 8

35 U.S.C. § 321. 26

35 U.S.C. § 326(d)(1) 14

35 U.S.C. § 328 ..... 3, 25, 32

5 U.S.C. § 701(a) 32

5 U.S.C. § 704 32

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Charles Alan Wright & Arthur R. Miller, Federal Practice & Procedure (3d ed. 2012) 28

America Invents Act of 2011 § 18(b)(1), Pub. L. No. 112-29, 125 Stat. 284, 331 (2011) ..... *passim*

Regulations

37 C.F.R. § 42.100(b) 2, 3, 13

STATEMENT OF INTEREST

The American Intellectual Property Law Association (AIPLA) is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private or corporate practice, in government service, and in the academic community.[1] AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.[2]

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[1] In accordance with Supreme Court Rule 37.6, amicus curiae states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the amicus curiae and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[2] AIPLA obtained consent to file this brief from the counsel of record for all parties, pursuant to Supreme Court Rule 37.3(a).

SUMMARY OF ARGUMENT

The Federal Circuit erred in endorsing use by the Patent Trial and Appeal Board ("Board" or "PTAB") of the broadest reasonable interpretation ("BRI") standard, prescribed by 37 C.F.R. § 42.100(b), for interpreting unexpired patent claims in post-grant trial proceedings created by America Invents Act ("AIA").

The BRI standard was specially crafted for patent examinational proceedings, and not for proceedings that adjudicate the validity of patent claims. Congress intended that post-grant trials would be a cost-effective and efficient substitute for district court validity trials. Accordingly, these substitute proceedings should use the same claim construction standard as used in district courts. But by the mistaken transplantation of the BRI standard into AIA trials, the entire patent system has been harmed through an evisceration of the statutory presumption established by 35 U.S.C. § 282(a) that issued patents are valid, by the disregard of long-standing precedent that patent claims must have the same construction for validity and infringement, and by the creation of conflicts, inconsistency and confusion, resulting from applying different claim construction standards.

The Federal Circuit also erred in barring judicial review of issues in a final written PTAB decision that concern the authority of the PTAB to invalidate a patent simply because those issues were also addressed in a decision to institute a trial proceeding.

The Petitioner has filed a blanket consent with the Court, and the government has consented by letter, filed with this brief.

Due process demands that in an appeal of right from a final written decision under 35 U.S.C. §§ 318 and 328, issues related to the Director's decision to institute an AIA trial and to the PTAB's authority to decide whether claims are unpatentable must be reviewable by the Federal Circuit. The bar on appellate review in 35 U.S.C. § 314(d) must be interpreted in light of the presumption of judicial reviewability of actions of the executive branch. Moreover, the bar of section 314(d) is expressly limited to review of the Director's determination "under this section"; namely, whether or not the petitioner has met the threshold of demonstrating a reasonable likelihood of prevailing. Review of a final written decision under section 318 is a determination on the merits, not a likelihood of success determination under section 314(a).

ARGUMENT

I. The Federal Circuit erred by approving the use of the BRI standard in AIA trials.

The Federal Circuit erred by approving the use by the Board of the "broadest reasonable interpretation" standard for interpreting unexpired patent claims challenged in AIA trial proceedings before the U.S. Patent and Trademark Office ("Office").

Both the Office (in implementing that standard in 37 C.F.R. § 42.100(b)) and the Federal Circuit (in approving it) disregarded the distinction between the traditional role of BRI in the examination of patent applications and the role of claim interpretation in the new post-grant trial proceedings created by the

AIA. Patent claims challenged in AIA post-grant trial proceedings should be interpreted under the same standard used in district court actions; namely, the *Phillips/Markman* standard.[3]

The Federal Circuit deferred to the Office interpretation of the AIA in adopting the BRI standard, incorrectly applying *Chevron USA Inc. v. Natural Resource Defense Council, Inc.*, 467 U.S. 837 (1984). The Federal Circuit addressed the first step of the *Chevron* analysis ("whether Congress has directly spoken to the precise question at issue"[4]) by noting that the statute does not prescribe a particular standard for claim construction. However, the court overlooked *Chevron*'s explanation of the phrase quoted above: "If the *intent of Congress* is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the *unambiguously expressed intent of Congress*." (Emphasis added.) Despite the clear and unambiguous Congressional intent that AIA trials were to be adjudicatory, the court found the regulation a "reasonable interpretation of the statute," notwithstanding the fact that district court adjudications on patent validity are bound to apply the *Phillips/Markman* standard of claim construction. The post-grant trial proceedings created by the AIA were expressly intended to serve as faster, less expensive surrogates for district court patent validity trials. Only the *Phillips/Markman*

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[3] *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-1313 (Fed. Cir. 2005) (*en banc*), and *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed.Cir.1995) (*en banc*), *aff'd* 517 U.S. 370 (1996).

[4] *Chevron*, 467 U.S. at 842-843.

standard is applied in district court trials, and there is no hint that Congress intended any other standard to apply in post-grant trials.

a. The BRI standard was specially crafted for patent examinational proceedings.

The BRI standard is intended and appropriate for the patent examination process. That process, commonly referred to as "prosecution," consists of a series of exchanges between the applicant and the patent examiner to clarify the metes and bounds of the claimed invention. Importantly, it includes the opportunity to freely amend claims to remove ambiguities and to fashion clear, precise, and patentable claims.[5] The initial examination proceeds with back-and-forth communications between the applicant and the examiner during which the language of the claims may be amended in view of the prior art pertaining to the invention in order to arrive at clear and precise claims.[6]

The BRI standard was subsequently extended to patent reexamination under 35 U.S.C. § 305, which explicitly states that reexamination is "conducted

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[5] *In re Prater*, 415 F.2d 1393, 1404-1405 (C.C.P.A. 1969) ("[T]his court has consistently taken the tack that claims yet unpatented are to be given the broadest reasonable interpretation consistent with the specification *during the examination of a patent application* since the applicant may then amend his claims....")(emphasis in original). *See also In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989).

[6] *See PPC Broadband, Inc. v. Corning Optical Comm. RF, LLC*, No. 2015-1361, slip op. at 6-7 (Fed. Cir. Feb. 22, 2016).

according to the procedures established for initial examination under the provisions of sections 132 and 133." Accordingly, *In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984), recognized the usefulness of BRI in an *ex parte* reexamination proceeding, while cautioning that it cannot apply to expired claims which cannot be modified. *In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014). Thus, the BRI standard is properly used in examination and reexamination proceedings for claims in patents that have not expired.[7] Likewise, the use of BRI has been extended to other examinational proceedings, including reissue proceedings.[8]

But claim construction by district courts has long been distinguished from claim construction in patent examinational proceedings because the claim language of an issued patent is fixed and not subject to amendment. For example, in *In re Morris*, 127 F.3d 1048, 1053-1054 (Fed. Cir. 1997), the Federal Circuit refused to require the Office to interpret claims in patent applications in the same manner that courts interpret issued claims during infringement proceedings.[9]

Under the *Phillips/Markman* standard, a district court considering claims of issued patents must

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[7] *Id.* at *7 ("Examinations and reexaminations are not adjudicatory. Instead, the patent examiner and the applicant work together to determine the scope of the claimed invention.").

[8] *In re Reuter*, 651 F.2d 751, 756 (C.C.P.A. 1981).

[9] *In re Morris*, 127 F.3d at 1054 ("It would be inconsistent with the role assigned to the PTO in issuing a patent to require it to interpret claims in the same manner as judges who, post-issuance, operate under the assumption the patent is valid.").

account for statements made by the patent applicant during prosecution of the patent application. The Office, by contrast, applies the BRI standard in an examinational context in which the prosecution is not completed. The written record, or "history," of that prosecution will ultimately be comprised of the examiner's continuing transactions with the applicant. While BRI is applied to issued patents in reexamination and reissue proceedings, those remain examinational proceedings and are not adjudications of patent validity. Moreover, in those proceedings, unexpired claims may be freely amended. By contrast, the BRI standard is not appropriate in AIA trial proceedings.

b. By adopting the AIA, Congress intended the Office to adjudicate the validity of patent claims under the same claim construction standard as applied in district courts.

In enacting the AIA, Congress created several first-of-kind adjudicatory – not examinational – post-grant trial proceedings for issued patents. Its clearly-expressed intent was to replace *inter partes* reexamination proceedings (created in 1999) with adjudicatory patent validity trials designed to provide speedy decisions and reduce the cost to litigants. As stated in the legislative history, "The Act converts inter partes reexamination from an examinational to an adjudicative proceeding, and renames the proceeding 'inter partes review.' "[10] An adjudicative

[10] H.R. Rep. No. 112-98, pt. 1, at 46 (2011), 2011 U.S.C.C.A.N. 67, 77.

proceeding is designed to review patent claims that are issued and fixed, not to continue the examinational phase, in which the BRI standard had been applied and multiple opportunities for claim amendments had been provided. Although the AIA provides an opportunity to amend claims during a post-grant trial, the regulation governing it is narrowly drafted and applied.[11]

Notwithstanding Congressional intent, the Office elected to adopt the BRI standard for AIA trials before the PTAB. That standard functions well for patent examination, but it is inappropriate for adjudicatory proceedings before the PTAB. The consequence is that issued claims can be given a different and broader interpretation in AIA trials than they are given in district court infringement proceedings, leading to inconsistent results and uncertainty about the scope and value of patents.

Congress enacted the AIA to clarify and strengthen patent rights and to improve the patent system, not to produce inconsistency and uncertainty. Not only does the legislative history make that abundantly clear, but common sense does as well.

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[11] Under 35 U.S.C. §§ 316(d)(1)(A) and 316(d)(1)(B), the patent owner may file *one motion to amend* the patent to cancel any challenged claim or to propose "a reasonable number of substitute claims" for each challenged claim. Section 316(d)(3) prohibits amendments that enlarge the scope of the claims or introduce new matter.

c. Using the BRI standard in AIA trials conflicts with Congressional intent.

The post-grant trials under the AIA produced fundamentally new opportunities for administrative review of issued patent claims. Congress created the new procedures in response to dissatisfaction with existing procedures for Office review of issued patents in reissue proceedings (35 U.S.C. § 251), *ex parte* reexamination (35 U.S.C. §§ 302-305), and *inter partes* reexamination (35 U.S.C. §§ 311-314).

The AIA significantly changed the opportunities for administrative review of patentability available under those proceedings. The key parts of the legislative history are clear that Congress intended to make a clean break from the examinational model of *inter partes* reexamination and to replace it with an adjudication model, which is entirely new to the Office.

In her opinion dissenting from the denial of *en banc* review in this case, Chief Judge Prost recognized that intent:

> Even the panel majority acknowledges the adjudicative nature and the limited amendment process of IPRs. Revised Panel Op. at 14–16 [793 F.3d 1268, 1277-1278]. Yet it brushes these distinctions aside without substantive analysis. With respect to adjudication, the panel majority's sole response is to claim that the adjudication/examination distinction is irrelevant, and to point to the interference proceeding as one which is "in some sense adjudicatory" and uses "a variant of the broadest reasonable interpretation

> standard." *Id.* at 16. This argument fails to address Congress's clear intent to equate the particular IPR proceedings at issue here with those occurring in district court.

See In re Cuozzo Speed Tech., LLC, 793 F.3d 1297, 1302 (Fed. Cir. 2015)(Prost CJ, dissenting from denial of rehearing en banc).

In an attempt to discount the significance of the adjudicative nature of the new proceedings, the Federal Circuit suggested that the Office has long applied the BRI standard in patent interference proceedings which are "in some sense adjudicatory."[12] That comment reflects a misunderstanding of the pre-AIA interference statute (35 U.S.C. § 135(a)), which includes a limitation that distinguishes interference proceedings from post-grant trials: unlike AIA post-grant trials, an interference proceeding must involve *at least one patent application*, *i.e.*, an application that has not yet issued as a patent and that contains claims that may be subject to amendment.[13]

Thus, while the Federal Circuit has attempted to rationalize the use of the BRI standard in AIA trials by linking them to past practice at the Office, that supposed link cannot justify using a standard meant

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[12] *In re Cuozzo Speed Techs.*, 793 F. 3d at 1278.

[13] Section 135, as amended by the AIA, concerns derivation proceedings, but the former section 135 authorizing the Director to conduct interference proceedings remains in effect for patent claims with an effective filing date, as defined in 35 U.S.C. § 100(i), that is prior to the AIA effective date. *See* Section 3(n)(2)(A)-(B).

for examinational proceedings in adjudicatory trial proceedings.

As explained by Chief Judge Prost, the legislative history makes it crystal clear that AIA post-grant trials were meant to be adjudicative proceedings:

> Here, Congress was not legislating within an already existing regime. To the contrary, Congress created IPRs as a "new post-grant review procedure" that would provide "a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs." H.R. Rep. No. 112–98, pt. 1, at 40, 45 (2011). Originally, Congress established the reexamination process to effect this goal, but in light of the limitations, timing, and costs of these proceedings, Congress decided to start anew and establish new post-grant review procedures, including IPR, in the AIA. *See id.* at 45–46 (noting the problems with the reexamination process and Congress's attempts to remedy these issues with amendments before the enactment of the AIA). And it did so by "convert[ing] *inter partes* reexamination from an examinational to an adjudicative proceeding." *Id.* at 46; *see also id.* at 68 (stating that the AIA would "[e]stablish a new procedure, known as post-grant review," noting that this procedure "would take place in a court-like proceeding").

Id. at 1300.

As is apparent from the legislative history, the reexamination procedure from its beginnings in 1980 has been intended, as its name implies, as a re-do of

the initial examination. Specifically stated was that reexamination "will permit any party to petition the patent office to review the efficacy of a patent, following its issuance, on the basis of new information about pre-existing technology which may have *escaped review at the time of the initial examination* of the application." H.R. Rep. No. 66-1307, 96th Cong., 2d Sess. (1980), 3-4, reprinted in 1980 U.S. Code Cong. & Ad. News 6460, 6462 (emphasis added).[14] Post-grant trials, on the other hand, are *replacements for – not a continuation of – inter partes* reexamination.

Congress stated that AIA trials are not repetitions of the initial examination. Instead, as noted, they are *adjudications* of issued patents, not *examinations* of patent applications:

> The Act converts *inter partes* reexamination from an examinational to an adjudicative proceeding, and renames the proceeding '*inter partes* review.'

H.R. Rep. No. 112-98, pt. 1, at 46 (2011), 2011 U.S.C.C.A.N. 67, 77 The Office has acknowledged that principle in its rules of practice implementing

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[14] *See also In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) ("In a very real sense, the intent underlying reexamination is to 'start over' in the PTO with respect to the limited examination areas involved, and *re* examine the claims, and *to examine* new or amended claims, as they would have been considered if they had been originally examined in light of all of the prior art of record in the reexamination proceeding.") (Emphasis in original.)

the AIA provisions governing post-grant trials before the PTAB.[15]

d. An illusory opportunity to amend does not justify applying BRI.

A principal justification offered by the Office and by the Federal Circuit for adopting the BRI standard in 37 C.F.R. § 42.100(b) is that the patent owner in an AIA trial has an opportunity to amend its patent.

The opportunity to amend, however, is restricted by the statute and further restricted in its application by the Office. Specifically, 35 U.S.C. § 316(a)(9) directs the Office to issue regulations allowing the patent owner to "*move to amend* the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims." Subsection (d) is itself limited, permitting the patent owner to file *only one motion to amend* the patent to cancel any challenged claim or to propose "a reasonable number of substitute claims" for each chal-

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[15] "The Office is engaged in a transparent process to create a timely, cost-effective alternative to litigation. This final rule provides a consolidated set of rules relating to Board trial practice for *inter partes* review, post-grant review, derivation proceedings, and the transitional program for covered business method patents The definition of trial provides that a *trial* is a contested case instituted by the Board based upon a petition." *Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions*, 77 Fed. Reg. 48612, 48615, 48616 (August 14, 2012) (emphasis added); *see also Abbott Labs. v. Cordis Corp.*, 710 F. 3d 1318, 1326-1327 (Fed. Cir. 2013)(An *inter partes* reexamination proceeding is not a "contested case" because there is no ability to take depositions.).

lenged claim.[16] Not only is a patent owner's opportunity to amend conditional, but in the more than two years of experience with post-grant trials, motions to amend have been granted so infrequently as to make the opportunity to amend essentially illusory.[17]

Thus, the right of the patent owner to actually amend its claims in AIA trials is severely constrained as compared to the right to amend in examinational proceedings. Section 316 simply calls for regulations that permit the patent owner to *file a motion to amend*. However, nothing in the statute or regulations guarantees that such a motion will be granted, and the likelihood that it will be granted depends on the patentee's showing of patentability, notwithstanding the petitioner's burden to show unpatentability. *See, e.g., Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1303-1304 (Fed. Cir. 2015)(patent owner's motion to amend must demonstrate the patentability of the proposed amended

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[16] Section 316(d)(1) addresses claim amendments in *inter partes* review, and identical limitations on amending claims are provided at 35 U.S.C. § 326(d)(1) for post-grant review.

[17] The few reported Final Written Decisions authorizing motions to amend include *Int'l Flavors & Fragrances Inc. v. U.S. Department of Agriculture*, 2014 WL 2120542, at *1 (PTAB May 20, 2014); *REG Synthetic Fuels, LLC v. Neste Oil Oyj*, 2015 WL 3609359, at *2 (PTAB June 5, 2015); *Riverbed Tech., Inc. v. Silver Peak Systems, Inc.*, 2014 WL 7405745, at *1 (PTAB Dec. 30, 2014) and 2014 WL 7405746, at *1 (PTAB Dec. 30, 2014); and *Chicago Mercantile Exch., Inc. v. Fifth Market, Inc.*, 2014 WL 7273560, at *2 (PTAB Dec. 17, 2014).

claim); *Prolitec, Inc. v. Scentair Techs., Inc.*, 807 F.3d 1353, 1363 (Fed. Cir. 2015)(motion to amend was properly denied where patentee failed to show that the proposed amended claim was patentable).

Even if a patent owner's motion is granted, that success is no substitute for the amendment opportunities provided by the free and iterative exchanges in original examinations, *ex parte* reexaminations, or reissue examinations in which the BRI standard is appropriately applied.

Here again, a fundamental premise of the Federal Circuit's position finds no support in the language of the AIA or in its application by the Office. For this additional reason, the AIA provides no basis for the adoption of a claim interpretation standard other than that uniformly applied by district courts under *Phillips/Markman*.

II. Disregarding the distinction between examinational and adjudicative procedures distorts patent law and produces uncertainty.

The Federal Circuit's approval of the Office application of the BRI standard to both examinational and adjudicative proceedings has led to a disregard of the distinction between claim construction standards, and it has produced a variety of serious and anomalous results that are harmful to the patent system. High on the list is the Office conclusion that the statutory presumption of validity under 35 U.S.C. § 282 for issued patents does not apply in AIA

trials. That misguided conclusion cannot be justified by analogizing AIA trials to reexamination proceedings, in which the Office applies the BRI standard but does not apply the presumption of validity.[18]

Moreover, there is long-standing precedent establishing the principle that patent claims must be interpreted in the same manner for determining both validity and infringement. In these circumstances, patent owners and reviewing courts alike are now left to struggle with the resulting conflicts and inconsistencies.

a. Issued patents litigated in AIA trials are entitled to the statutory presumption of validity under 35 U.S.C. § 282.

United States patents enjoy an unqualified presumption of validity under the Patent Act:

> (a) IN GENERAL.—A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

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[18] Brief of the United States in opposition to the petition for writ of certiorari in *Cuozzo Speed Technologies, LLC v. Lee*, U.S., No. 15-446, pp 10-11.

35 U.S.C. § 282(a). The statute contains no carve-out for patents involved in AIA post-grant trials. Moreover, nothing in the legislative history of the AIA or in the technical amendments to section 282(a) eliminated or abridged the presumption of validity applicable to issued patents.[19] Further, the legislative history gives little basis for the oft-mentioned distinction between "validity" and "patentability," with the House Report noting that: "Petitioners bear the burden of proving that a patent is *invalid by a preponderance of the evidence* in inter partes review."[20]

Further, this Court has long recognized the judicial practice of construing patent claims, if possible, to preserve their validity.[21] Likewise, the Federal Circuit has repeatedly recognized that patent claims should be construed to preserve their validity.[22]

Although the statutory presumption of validity should – absent contrary direction from Congress – apply equally to patents that are subject to AIA post-

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[19] Section 20(g) of the AIA, entitled "Technical Amendments," in relevant part, merely added to section 282 a letter and topical label to the paragraphs of the statute to create "(a)—In General." In addition, a sentence in that first paragraph concerning nonobviousness under section 103(b)(1) was also deleted. *See* Section 20(g) of AIA, entitled "Technical Amendments."

[20] H.R. Rep. No. 112-98, pt. 1, at 47 (2011).

[21] *See Klein v. Russell*, 86 U.S. (19 Wall.) 433, 466 (1874); *Turrill v. Michigan*, S. & N.I.R.R., 68 U.S. (1 Wall.) 491, 510 (1864).

[22] *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 911 (Fed. Cir. 2004).

grant trials, the Office does not apply the statutory presumption. *See Google, Inc. v. Whitserve LLC*, 2014 WL 4537504, at *12 (PTAB Sept. 9, 2014). Instead, the Office expressly relies on the application of the BRI standard to justify its conclusion that the presumption does not apply to patents involved in post-grant trials:

> Under the district court standard, however, considerations such as preservation of validity or the notice function of claims may lead to the adoption of the narrower of two equally plausible constructions. *See Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 911 (Fed. Cir. 2004); *Athletic Alternatives, Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1581 (Fed. Cir. 1996). Our claim construction standard, however, does not take factors such as the preservation of validity into account.

Id. at 21-22.

As it did in opposing the grant of the petition for writ of certiorari, the United States again relies on the purported ability to amend claims in AIA trials to justify an inference that Congress exempted AIA trials from the presumption of section 282(a). The United States also draws this unwarranted inference from the application of a "preponderance of the evidence" standard for determinations of unpatentability in AIA trials, and from Federal Circuit determinations that the presumption of validity does not apply in reexaminations.[23]

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[23] Brief of the United States in opposition to the petition for writ of certiorari in *Cuozzo Speed Technologies, LLC v. Lee*, U.S., No. 15-446, p. 11, n. 2; *In re Etter*, 756 F.2d 852, 857-58

However, these arguments demonstrate that the Office is improperly transplanting examinational procedures, together with their related features, into proceedings that Congress deliberately intended to be adjudicative. AIA trials are not reexaminations. Reexaminations are examinational. According to the legislative history, "In a very real sense, the intent underlying reexamination is to 'start over.' "[24]

As adjudications of issued patents, AIA trials should – unless Congress says otherwise – be governed by the long-standing rule of construing patent claims, if possible, to preserve their validity. The *Phillips/Markman* standard effectuates that rule; the BRI standard does not. Nor would use of the *Phillips/Markman* standard impose a burden on the Office since it already applies that standard in construing claims of expired patents which cannot be amended.[25]

For all these reasons, the Office has neither a valid rationale nor the authority to disregard the statutory presumption of validity for patents in post-grant trials.

(Fed. Cir. 1985). *See also Dome Patent LP v. Lee*, 799 F. 3d 1372, 1379 (Fed. Cir. 2015).

[24] H.R.Rep. No. 66-1307, at 3-4 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6462.

[25] *In re Rambus*, 753 F.3d at 1256 ("If, as is the case here, a reexamination involves claims of an expired patent, a patentee is unable to make claim amendments and the PTO applies the claim construction principles outlined by this court in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir.2005)." (citations omitted)).

b. Using BRI is contrary to long-standing precedent that patent claims must have the same construction for determining validity and infringement.

The Federal Circuit should not have approved the use of the BRI standard for interpreting claims in post-grant trials for the further reason that doing so violated this Court's long-established rule that a patent must be construed in the same way for validity and infringement determinations. *See Gosling v. Roberts*, 106 U.S. 39, 47 (1882); *Knapp v. Morss*, 150 U.S. 221, 228 (1893); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917).

That same rule has been termed "axiomatic" by the Federal Circuit. *See Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1449 (Fed. Cir. 1984); *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1279 (Fed. Cir. 1988).

Yet, under current Office practice, an accused infringer who chooses the Office as a forum for challenging the patent in a post-grant trial will be advantaged by the application of BRI in determining whether the claims are invalid (or unpatentable). However, that accused infringer will not be so advantaged if it chooses the district court, which will apply the *Philips/Markman* standard in determining both validity and infringement. In other words, the same claims will be construed more narrowly for infringement and validity purposes in district court, but more broadly for trial proceedings before the PTAB.

Consequently, not only does the application of BRI create the practical problem of inconsistency, the inconsistency itself is contrary to long-standing precedent.

c. Applying different standards results in conflicts and inconsistency.

Past experience with the application of conflicting standards in Office proceedings and district court proceedings shows the disarray that can result. In *Fresenius USA, Inc. v. Baxter International, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013), the Federal Circuit considered a patent that it had considered twice before in litigation between the same parties. The first occasion was on appeal from a district court judgment concluding that the challenger had not proved invalidity of the challenged claims. The second was on appeal from an Office reexamination decision that those same claims were unpatentable. In both instances, the Federal Circuit affirmed.[26]

In the third appeal, again related to the infringement suit, the Federal Circuit recognized that the claim construction standards applicable in the prior two cases were different, stating "because the two proceedings necessarily applied different burdens of proof and relied on different records, the PTO did not err in failing to provide the detailed explanation now sought by Baxter as to why the PTO came to a different determination than the court system in

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[26] *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1304 (Fed. Cir. 2009), and *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1366 (Fed. Cir. 2012).

the *Fresenius* litigation."[27] In that third appeal, the Federal Circuit relied on its previous decision in the reexamination appeal to conclude that the patent was invalid.[28] That final decision, squarely acknowledging the role of different standards in the outcome, came only after more than ten years of wasteful litigation and expense.

Given the extraordinary popularity of *inter partes* review proceedings, conflicting decisions and inconsistency are even more likely when both the BRI standard is applied in AIA trials and the *Philips/Markman* standard is applied in district court as to the same claims at the same time. In the simplest example, a district court defendant may now challenge an asserted patent in an AIA post-grant trial before the Office. At the same time, a district court may consider the validity and infringement of the same patent, simultaneously construing disputed terms of the claims. Nothing in the AIA, however, obligates the district court to stay its case pending the resolution of the post-grant trial.[29] Thus, different tribunals may simultaneously apply different claim construction standards to the same patent and reach different results.

The harm of applying differing standards of claim interpretation is not mitigated by a recent Federal Circuit decision instructing the Office to ad-

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[27] *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1365 (Fed. Cir. 2012).

[28] *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).

[29] AIA § 18(b)(1), Pub. L. No. 112-29, 125 Stat. 284, 331 (2011); *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1309 (Fed. Cir. 2014).

dress a previous district court claim interpretation.[30] Even if the Office considers the district court's interpretation, there is no reason to expect such consideration to have any impact, because the district court interpretation is not binding on the Office, it may not be in evidence, and the PTAB's expedited schedule may preclude any opportunity to consider it.[31]

Thus, the AIA permits both the Office and district courts to independently decide whether the claims of the same patent should stand. As pointed out earlier, the Office might apply BRI to decide that a challenged patent claim is unpatentable over the prior art, while a district court might decide that the same claim has not been proved invalid over that same prior art under the more narrow *Phillips/Markman* interpretation.

Even the Federal Circuit itself has now acknowledged that the claim construction standard may drive the result:

> This case hinges on the claim construction standard applied—a scenario likely to arise with frequency. And in this case, the claim construction standard is outcome determinative.

PPC Broadband, Inc. v. Corning Optical Comm. RF, LLC, No. 2015-1364, slip op. at 9 (Fed. Cir. Feb. 22, 2016)

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[30] *See Power Integrations, Inc. v Lee*, 797 F.3d 1318, 1326 (Fed. Cir. 2015).

[31] *See Arctic Cat, Inc. v. Polaris Industries*, IPR2014-01427 – 01428, Paper 56 (PTAB January 4, 2016)).

Handed down on that same day was the opinion in the companion case in which the Federal Circuit further recognized that "it is possible to have two different forums construing the same term in the same patent in a dispute involving the same parties but using different standards." *PPC Broadband, Inc. v. Corning Optical Comm. RF, LLC*, 2016 WL 692369 at *5 (Fed. Cir. Feb. 22, 2016).

Recent Federal Circuit decisions have introduced additional uncertainty by blurring the distinction between claim construction standards for examinations and for adjudications.[32] As noted, the BRI standard is particularly suited for examinational proceedings, in which the back-and-forth transactions between the applicant and the examiner clarify the metes and bounds of the claimed invention using broad interpretations and liberal amendment opportunities. District courts, by contrast, use the *Phillips/Markman* standard to interpret claims of issued patents whose language is fixed and is not subject to amendment. The Federal Circuit's tendency to transform these two well-established claim construction standards into a single standard will dissolve distinctions that are basic to the respective functions of examinational and adjudicative proceedings.

These developments have complicated the task of claim construction and made the processes of ob-

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[32] *Trivascular, Inc. v. Samuels*, No. 2015-1631, slip op. at 6 (Fed. Cir. Feb. 5, 2016) (under BRI, words of the claim are given their plain meaning, consistent with the specification and prosecution history); *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d at 1298 (the Office should consult the patent's prosecution history in proceedings where the patent has been brought back to the agency for a second review.).

taining, enforcing, and defending patents more uncertain. These differing standards also may impact the incentive to innovate and seek patent protection in the first instance. In order to avoid, or at least minimize, the harm and confusion of such inconsistency, AIPLA submits that this Court should vacate the Federal Circuit's decision and remand the case with instructions to direct the Office to apply the same claim construction standard in post-grant trials as is applied by district courts under *Phillips/Markman*.

III. Section 314 does not limit the scope of appellate review of final written decisions in AIA trials.

The Federal Circuit incorrectly held that 35 U.S.C. § 314(d) not only bars appeals of PTAB determinations of whether to institute AIA post-grant trials, but also precludes review of issues addressed in a final written decision that were also addressed in the decision to institute such trials.

In an appeal of right from a final written decision under sections 318 and 319 of Title 35, the Federal Circuit in this case overlooked express language in section 314(d) that limits its scope.[33] Moreover, section 314(d) must be read in light of the presumption that judicial review is available for all final actions of the executive branch.

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[33] Sections 314(d), 318 and 319, which apply to *inter partes* review, have virtually identical counterparts in Sections 324(e), 328 and 329 for post grant review.

a. Limits on the ban of judicial review are expressed in the statute.

The Federal Circuit mischaracterized its conclusion about section 314(d) as simply a refusal to permit a postponed appeal of the decision to institute. In fact, its interpretation of the statute permits the PTAB to insulate substantive issues from judicial review by simply characterizing them as determinations as to whether to institute AIA trials. That characterization, however, disregards the overlap of such issues at the institution and final written decision stages. The impact is to undermine statutorily-mandated judicial oversight of final actions of the executive branch.

The AIA created three new administrative proceedings for reviewing the patentability of claims in issued patents: (1) *inter partes* review (IPR) (35 U.S.C. § 311 et seq.), (2) post-grant review (PGR) (35 U.S.C. § 321 et seq.), and (3) a special form of post-grant review applicable only to covered business method patents (CBM) (uncodified section 18 of the AIA, 125 Stat. at 329–31). Each cited section uses virtually identical language to establish a threshold preliminary showing that an AIA trial is warranted.

The PTAB is not empowered to institute an IPR trial under section 314(a) unless there is "a reasonable likelihood that the petitioner will prevail" on at least one of the challenged claims, nor is it empowered to institute a PGR trial under section 324(a), unless it is "more likely than not" that at least one of the challenged claims is unpatentable. Both sections 314(d) and 324(e) bar appellate review of the "de-

termination ... under this section" on the "reasonable likelihood" or "more likely than not" questions.[34]

The Federal Circuit's interpretation of the statute disregards express language in both sections 314(d) and 324(e) that limits the ban on judicial review to "determinations ... under this section;" namely, the determinations made for the specific purpose of deciding whether or not to institute an AIA trial, *i.e.*, preliminary determinations.

The Federal Circuit has erroneously concluded that "section 314(d) prohibits review of the decision to institute IPR even after a final decision."[35] The court promoted further confusion by suggesting that this case simply involves an attempt to circumvent the ban in section 314(d) by delaying the appeal of the institution decision until after the PTAB's final written decision. The issue, however, is not whether this case is a prohibited appeal of a section 314 preliminary institution determination, but whether it is a permissible appeal under section 319 of a final written decision issued by PTAB under section 318(a).

In addressing an analogous issue with respect to decisions to institute a CBM proceeding, the court stated in *Versata Development Group, Inc. v. SAP America, Inc.*, that "[t]o be clear, it is the merits of the final written decision that are on appeal; we are

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[34] Under section 314(d), "The determination by the Director whether to institute an inter partes review under this section shall be final and non-appealable." Under section 324(e), "The determination by the Director whether to institute a post-grant review under this section shall be final and non-appealable."

[35] 793 F.3d at 1273.

not here called upon to review the determination by the PTAB whether to institute a CBM review." 793 F.3d 1306, 1315 (Fed. Cir. 2015).

As the Federal Circuit did in *Versata*, it is common in administrative proceedings to distinguish between an unreviewable initiation of agency action and a reviewable final agency action.[36] As Judge Plager explained:

> The distinct agency actions do not become the same just because the agency decides certain issues at both stages of the process. Nor do they become the same just because the agency chooses, or even follows a congressional directive, to decide an issue determining final-action authority at the initiation stage and then does not revisit the issue later. Early-stage decision of a basic authority question can make sense as an efficiency matter. There is no good reason to launch a proceeding if it is clear that the agency will have no authority to act at its conclusion. On the other hand, some determinations normally made at the initiation stage may not affect authority to render a final decision whenever made.

793 F.3d at 1319.

An appeal to the Federal Circuit of the PTAB's final written decision is clearly authorized by section

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[36] *See Bennett v. Spear*, 520 U.S. 154, (1997); *Federal Trade Comm'n v. Standard Oil Co. of Cal.*, 449 U.S. 232 (1980); *Southern. Ry. Co. v. Seaboard Allied Milling Corp.*, 442 U.S. 444 (1979); *Automated Merch. Sys., Inc. v. Lee*, 782 F.3d 1376 (Fed. Cir. 2015); 16 Charles Alan Wright & Arthur R. Miller, Federal Practice & Procedure § 3942; 32 Charles Alan Wright & Arthur R. Miller, Federal Practice & Procedure § 8220.

319 for IPR proceedings (and by section 329 for PGR proceedings). The only issue here is whether the appellate court, in reviewing the PTAB's final written decision, has jurisdiction to address the PTAB's statutory authority to decide unpatentability when those same issues were addressed in the section 314 institution decision.

The answer is yes, at a minimum, because of the general rule that "interlocutory orders from which no appeal lies are merged into the final judgment and open to review on appeal from that judgment." *Monarch Asphalt Sales Co., v. Wilshire Oil Co. of Texas*, 511 F.2d 1073, 1077 (10th Cir.1975).[37] An appeal of a final written decision under section 319 necessarily includes review of matters presented in the section 314 preliminary determination to institute. As such, it allows judicial evaluation of the PTAB's authority to issue the section 318 final written decision itself.

b. Issues considered in a decision to institute may also be considered on appeal of a final written decision when relevant to the statutory authority of the PTAB.

Under section 319, a party "dissatisfied" with the PTAB's final written decision may appeal that decision to the Federal Circuit. The statute places no limits on the range of issues that may be raised by a

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[37] Because a section 314 determination refusing to institute an AIA trial produces no final written decision, the issues raised in that context would not be reviewable under section 319. However, they could be reviewable on a petition for mandamus where the strict requirements for a mandamus proceeding are met.

"dissatisfied" party, including the issue of the legal authority of the PTAB to decide, in a section 318 final written decision, "the patentability of any patent claim challenged ...." 35 U.S.C. § 318(a).

When the PTAB determines patentability in its final written decision pursuant to section 318, its authority to do so must necessarily be reviewable in the context of whether under section 314 a petitioner had established as a preliminary matter whether "there is a reasonably likelihood" it would prevail. Though a direct appeal of the PTAB's "reasonable likelihood" determination is expressly barred by section 314(d), the PTAB's final written decision concerning patentability is unquestionably subject to judicial review in a section 319 appeal, notwithstanding section 314. Indeed, *Versata* concluded that the ban on appeals in section 324(e) (corresponding to section 314(d)) does not bar "judicial review, when conducted with regard to the final written decision, of PTAB compliance with any requirement that involves the ultimate authority of the PTAB to invalidate a patent." 793 F.3d at 1319.

The threshold requirement at issue in *Versata* (and necessarily considered in the PTAB decision to institute) was that the subject matter of the patent claim be a covered business method. The Federal Circuit characterized that requirement as one that "defines the PTAB's authority to invalidate." The court added that there could be no petition that could bring a non-CBM patent within the PTAB's authority. While the *Versata* opinion identified this condition as an issue defining the PTAB's authority to "invalidate," it did not identify others or provide a standard for defining that authority.

> [W]e need not and do not consider all of the various determinations the PTAB may make to initiate proceedings and which may constitute limits on ultimate invalidation authority, reviewable on appeal from a final written decision invalidating a patent. It is enough for us to determine here that the defining characteristic of a patent as a CBM patent, subjecting it to a special PTAB power to invalidate, is such a limit.

793 F.3d at 1320-1321.

Similarly, AIPLA has not compiled a catalog of all the various determinations which may affect the exercise of the PTAB's authority to adjudicate the patentability of challenged claims, although examples might include the timeliness of a petition under section 311(c), or estoppel under section 315(e), or even the qualification of certain information as prior art.[38] Nor is AIPLA suggesting that this Court needs to perform that task. Rather, AIPLA urges this Court to apply to section 314(d) the *Versata* analysis addressing section 324(e), thereby permitting review of issues that underlie the PTAB's authority to determine patentability, even if those issues were also considered in the section 314 decision to institute an AIA trial.

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[38] *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F. 3d 652, 658 (Fed. Cir. 2015)(Section 314(d) bars appeal of Board decision to initiate *inter partes* review where review is allegedly time-barred under 35 U.S.C. § 315(b), even if that issue reconsidered during the merits phase of proceedings and restated as part of the Board's final written decision.) An Achates petition for a writ of certiorari was dismissed February 9, 2016 under Supreme Court Rule 46 for settling parties. U.S. Docket No. 15-842.

A decision by this Court affirming the Federal Circuit's extension of the ban on judicial reviewability of preliminary institution decisions under section 314 to final written decisions under section 319 could result in completely insulating errors by the PTAB from judicial review. AIPLA is not specifically commenting on the particular issue concerning the authority of the PTAB to determine patentability of claims under section 318 under the facts of this case. Rather, AIPLA is concerned that the Federal Circuit's reasoning below draws a hard line precluding its review of any issue related to the Director's decision to institute an AIA trial, even though such issues also affect the PTAB's final decision and its authority to determine patentability of patent claims.

c. Section 314(d) does not eliminate the traditional presumption that actions of the executive branch are subject to judicial review.

The Federal Circuit has in this case interpreted section 314(d) in a way that conflicts with the traditional presumption that the judiciary is responsible for reviewing the legality of executive branch actions.

Indeed, its interpretation is inconsistent with the Administrative Procedure Act ("APA") which provides that judicial review is available for all "final agency action for which there is no other adequate remedy in a court." 5 U.S.C. § 704. Under the APA, judicial review is available in all cases except those in which it is precluded by statute or where the action in dispute is committed to agency discretion. 5 U.S.C. § 701(a).

Sections 314(d) and 324(e) expressly bar appeals of the preliminary determinations under sections 314 and 324 that govern whether an AIA trial will be instituted. However, final written decisions resulting from such instituted trials, issued under sections 318 or 328, are expressly reviewable on appeal to the Federal Circuit under sections 319 and 329.

As *Versata* suggests for section 324(e), section 314(d) likewise should not be interpreted as barring review of whether the PTAB exceeded the statutory limits on its authority to determine the patentability of challenged claims. Such an interpretation conflicts not only with the language of the statute, but also with the long tradition of judicial review of government actions that alter the legal rights of an affected person. Judge Plager in *Versata* correctly observed:

> It has long been the law that "[a]dministrative determinations must have a basis in law and must be within the granted authority.... An agency may not finally decide the limits of its statutory power. That is a judicial function." *Social Sec. Bd. v. Nierotko*, 327 U.S. 358, 369 (1946). The Supreme Court has repeatedly emphasized "the strong presumption that Congress intends judicial review of administrative action," and that "[f]rom the beginning 'our cases [have established] that judicial review of a final agency action by an aggrieved person will not be cut off unless there is persuasive reason to believe that such was the purpose of Congress.'" *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986) (quoting *Abbott Labs. v. Gardner*, 387 U.S. 136, 140 (1967).

793 F.3d at 1320.

The legislative history of the AIA contains no indication that Congress intended to depart from this tradition of judicial oversight. Even if there were doubt as to congressional intent, the general presumption favoring judicial review of rights-changing administrative action is controlling. *Block v. Community Nutrition Inst.*, 467 U.S. 340, 351 (1984). This is a strong presumption which an agency can overcome only by clear and convincing evidence. *See Mach Mining, LLC v. E.E.O.C.*, 135 S. Ct. 1645, 1651 (2015).

Nothing in either of sections 314(d) or 324(e) meets the high *Block* standard for precluding review of whether the PTAB has exceeded its statutory authority. These sections preclude appellate review only of preliminary determinations as to whether a petition meets the appropriate statutory threshold, as the Federal Circuit itself has ruled in decisions such as *St. Jude Medical, Cardiology Division v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014).

The Federal Circuit also consistently held that it lacks jurisdiction to review a decision whether or not to institute a petition for *inter partes* review under a writ of mandamus. *In re Proctor & Gamble Co.*, 749 F.3d 1376 (Fed. Cir. 2014) (denying petition for writ of mandamus from a decision to institute); *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379 (Fed. Cir. 2014) (denying petition for writ of mandamus from a decision not to institute).

Further, as noted above in footnote 36 and in the Federal Circuit's opinion in the present case, mandamus has been identified as a possible form of relief

in certain instances. *In re Cuozzo*, 793 F.3d at 1274-1275. However, to date, the Federal Circuit has refused to grant such relief. *See In re MCM Portfolio, LLC*, 554 F. App'x 944 (Fed. Cir. 2014) (nonprecedential decision, refusing mandamus review of allegedly time-barred petition to institute directly from PTAB decision to institute); *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 2015-1091 (Fed. Cir. Dec. 2, 2015) (refusing mandamus review of allegedly time-barred petition to institute in appeal of final written decision); *GTNX, Inc. v. INTTRA, Inc.*, 789 F.3d 1309, 1312-1313 (Fed. Cir. 2015)(refusing mandamus review of allegedly improper denial of petition to institute for failure to show "clear and indisputable right to relief"); *Sightsound Techs., LLC v. Apple Inc.*, No. 2015-1159, slip op. (Fed. Cir. Dec. 15, 2015)(refusing mandamus review of institution decisions made on grounds allegedly not raised in the petition because "clear and indisputable right to relief" was not shown).[39]

Without questioning the correctness of these decisions, AIPLA notes that the Federal Circuit decision in this case interpreting section 314 is another impediment for dissatisfied parties to obtain any form of judicial review of agency action.

This case presents the opportunity to restore balanced oversight of executive branch action by the

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[39] In a recent decision, the Federal Circuit held it lacked jurisdiction to review a Board refusal to institute an IPR on certain grounds it deemed redundant of other grounds for which IPR was granted. *Harmonic, Inc. v. Avid Technology, Inc.*, No. 2015-1072 (Fed. Cir., Mar. 1, 2016)

judiciary, and AIPLA strongly encourages this Court to do so.

CONCLUSION

In enacting the AIA, Congress significantly changed the opportunities for administrative review of patentability by providing less expensive and quicker alternatives to district court relief in patent disputes. However, the benefits of these new procedures have not been realized in the implementation of the AIA by the Office.

The use of the BRI standard of claim construction in the new procedures for adjudicating patent validity is improper. It is also improper to deny judicial review of issues in the final written decision on the authority to invalidate issued patents simply because they were also addressed in the decision to institute.

These are matters that require intervention and correction by this Court if the promise the AIA is to be fulfilled.

Respectfully submitted,

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March 7, 2016

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No. 15-446

IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF APPLE, INC., AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	ii
INTEREST OF *AMICUS CURIAE*	1
BACKGROUND	4
SUMMARY OF ARGUMENT	7
ARGUMENT	10
I. THE STATUTE BARS ALL JUDICIAL REVIEW OF DECISIONS TO INSTITUTE *INTER PARTES* REVIEW PROCEEDINGS	10
A. Section 314(d) Does Not Simply Bar Interlocutory Review Of Institution Decisions	11
B. Section 314(d)'s Bar Is Not Limited To Board Decisions That Find A Reasonable Likelihood That A Challenged Claim Is Unpatentable	14
II. BARRING JUDICIAL REVIEW OF ALL INSTITUTION DECISIONS DOES NOT CAUSE UNTOWARD RESULTS AND INSTEAD FOSTERS THE PURPOSES OF *INTER PARTES* REVIEW	15
A. Barring Review Of Institution Decisions Does Not Allow The Board To Exceed The Limits Of Its Authority With Impunity	16
B. Construing Section 314(d) To Bar Only Interlocutory Review Of Institution Decisions Would Frustrate Congress's Purposes And Be Unfair To Petitioners	20
CONCLUSION	23

TABLE OF AUTHORITIES

CASES Page

Achates Reference Publ'g, Inc. v. *Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015), *cert. dismissed*, 136 S. Ct. 998 (2016) ..... *passim*
Block v. *Cmty. Nutrition Inst.*, 467 U.S. 340 (1984) 10
City of Arlington v. *FCC*, 133 S. Ct. 1863 (2013) 16
EPA v. *EME Homer City Generation, LP*, 134 S. Ct. 1584 (2014) 17, 18
Leedom v. *NLRB*, 358 U.S. 184 (1958) 16
Lindahl v. *OPM*, 470 U.S. 768 (1985) 13
In re NTP, Inc., 654 F.3d 1268 (Fed. Cir. 2011) 12
Precision Instrument Mfg. Co. v. *Auto. Maint. Mach. Co.*, 324 U.S. 806 (1945) 5
Sebelius v. *Auburn Reg'l Med. Ctr.*, 133 S. Ct. 817 (2013) 17, 18
SightSound Techs., LLC v. *Apple Inc.*, 809 F.3d 1307 (Fed. Cir. 2015) 3, 19, 21
State ex rel. Baumruk v. *Belt*, 964 S.W.2d 443 (Mo. 1998) 12
Versata Dev. Corp. v. *Rae*, 959 F. Supp. 2d 912 (E.D. Va. 2013), *aff'd*, 793 F.3d 1352 (Fed. Cir. 2015) 13
Versata Dev. Grp., Inc. v. *SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) 19

STATUTES AND REGULATIONS

Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) 2
35 U.S.C. § 2(a)(1) 4
§ 141(c) 13

TABLE OF AUTHORITIES—continued

	Page
35 U.S.C. § 282	5
§§ 301-307	5
§ 303	12
§ 304	12
§ 311	6
§ 312	6, 17, 18, 22
§ 313	6, 14
§ 314	*passim*
§ 315	6, 14
§ 316	7, 19
§ 317(a)	7, 10, 23
§ 318	7, 10, 13
§ 319	7, 10, 13
§ 322(a)(3)	22
42 U.S.C. § 7607(d)(7)B	17
37 C.F.R. § 42.4	6
§ 42.20	19
§ 42.100	7
§ 42.104(b)(5)	18, 22
§ 42.108	6
77 Fed. Reg. 48756 (Aug. 14, 2012)	6, 14

LEGISLATIVE HISTORY

H.R. Rep. No. 112-98, pt. 1 (2011)	5, 22
157 Cong. Rec. S130 (daily ed. Jan. 25, 2011)	5, 22
157 Cong Rec. S1053 (daily ed. Mar. 1, 2011)	5
157 Cong. Rec. H4420 (daily ed. June 22, 2011)	5

TABLE OF AUTHORITIES—continued

OTHER AUTHORITIES

Page

USPTO, *Fiscal Year 2017 Congressional Justification* (Feb. 9, 2016), http://www.uspto.gov/sites/default/files/documents/fy17pbr.pdf 23

USPTO, *Patent Trial and Appeal Board Statistics* (Feb. 29, 2016), http://www.uspto.gov/sites/default/files/documents/2016-2-29%20PTAB.pdf 2, 3

Webster's Unabridged Dictionary (2d ed. 2001) 12

INTEREST OF *AMICUS CURIAE*[1]

Amicus curiae Apple Inc. (Apple) is widely considered to be the country's leading innovator in its field. Since 1976, Apple has designed, developed, and sold cutting-edge consumer electronics, including mobile communication devices, media players, personal computers, and related software and services. Apple products such as the iPhone and the iPad have revolutionized the portable consumer electronics industry. Of course, developing and designing these produces has required substantial research, time, and energy. Apple has protected that work with thousands of U.S. patents.

Apple has a strong interest in the U.S. patent system and the balance that it strives to strike between promoting innovation and fostering competition. Apple's success sometimes leads it to the courtroom to litigate patent disputes. Apple has seen these disputes as both a plaintiff and a defendant. In recent years it has been one of the most frequently named defendants in patent suits brought by non-practicing entities nationwide. Several of these suits involve patents of dubious quality. But, Apple has nonetheless been forced to bear interruption of its business activities, and invest significant time and resources defending cases involving patents that should never have been issued.

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[1] Apple Inc. and its counsel represent that no counsel for any party authored this brief, in whole or in part, and no person other than Apple and its counsel made a monetary contribution to the preparation or submission of this brief. Petitioner's blanket consent to the filing of *amicus curiae* briefs in support of either party or neither party is on file with the Clerk of the Court, and respondent provided written consent to the filing of this brief in a letter submitted herewith.

As a result of such suits, Apple has turned to the procedures established by the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), including *inter partes* review (IPR) and covered business method review (CBM), to challenge patents issued by the Patent and Trademark Office (PTO). These procedures are designed to weed out exactly the type of questionable patents asserted in these suits. Given the volume of suits brought against it, Apple is among the most frequent petitioners before the Patent Trial and Appeal Board (Board), and its experiences demonstrate that the procedures are fulfilling Congress's goals.

Apple has received final decisions by the Board in 25 IPR and CBM proceedings, and 21 of those proceedings involved a patent that had been asserted against Apple in district court litigation. In 19 of those 21 proceedings, the lawsuits were stayed pending the outcome of the proceedings before the Board.[2] The final decisions in 20 of the 21 cases canceled some or all of the challenged claims. These proceedings thus resulted in substantial savings for the parties, and reduced burdens on the courts.

More broadly, AIA proceedings have improved the quality of patents. The PTO's most recent statistics on all AIA proceedings show that the Board is cancelling the weakest claims. Just under 50% of its institution decisions (1,514 out of 3,040) granted institution. See USPTO, *Patent Trial and Appeal Board Statistics* 9-11 (Feb. 29, 2016), http://www.uspto.gov/sites/default/files/documents/2016-2-29%20PTAB.pdf. The Board has issued final decisions in 920 of the proceedings it has instituted, finding all

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[2] Because most district court cases involve multiple asserted patents, these 19 proceedings correspond to 8 different lawsuits.

challenged claims unpatentable in 675 cases (73%), some challenged claims unpatentable in 133 cases (14%), and none of the challenged claims unpatentable in 112 cases (13%). *Id.*

Allowing appeals of institution decisions after the Board issues final decisions on patentability undermines the purposes of the IPR scheme. Here again, Apple's own experiences are instructive. It has been a party to appeals involving final decisions issued in both IPR proceedings, see *Achates Reference Publishing, Inc.* v. *Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015), *cert. dismissed*, 136 S. Ct. 998 (2016), and CBM proceedings, see *SightSound Techs., LLC* v. *Apple Inc.*, 809 F.3d 1307 (Fed. Cir. 2015). In both cases, patent owners sought to undo the Board's conclusions that their patent claims were unpatentable based predominantly—and in one case, exclusively—on procedural objections to the institution decisions.

Indeed, cases such as these vividly illustrate the dangers of allowing such objections to serve as the basis for collateral challenges to Board patentability decisions. In *Achates*, the patentee sought to overturn the Board's substantive ruling—and thereby retain the right to enforce its patent claims against Apple and others—even though it raised *no challenge whatever* to the Board's determination that those very claims were unpatentable. Moreover, its procedural objection demonstrates the gamesmanship that can underlie such collateral attacks. Under the IPR statute, a petition can be rejected as untimely if it is filed more than a year after a complaint alleging infringement of the patent is served on the petitioner or an entity in privity with the petitioner. In *Achates*, the patent owner sued several entities for infringement, waited a year to sue Apple, then

claimed that Apple was time-barred from filing a petition because Apple was in privity with the earlier-sued defendants. The Board properly rejected that gambit for various reasons at the institution stage. Had the Federal Circuit revisited the issue on appeal and tossed out the Board's final decision on that basis, it would have rewarded the patentee for procedural gamesmanship.[3]

Not all of Apple's IPR petitions have met with success. Over the last four years, the Board has denied institution of several petitions on grounds Apple viewed as erroneous. Nevertheless it supports respondent on the second question presented because Apple recognizes that the bar on judicial review of institution decisions is a key feature of the statute that ensures that proceedings under the AIA serve as quick, efficient and cost-effective alternatives to district court litigation. Apple therefore urges this Court to affirm that 35 U.S.C. § 314(d) bars appeals from all institution decisions, whether the decision grants or denies institution, and whether the appeal is taken immediately after the institution decision or after a final written decision. An interpretation of this provision that would preclude only interlocutory review of decisions to institute proceedings is inconsistent with the statutory language, legislative history, and purposes of the IPR scheme.

BACKGROUND

The PTO is "responsible for ... granting and issuing ... patents." 35 U.S.C. § 2(a)(1). This is an extraordinary governmental responsibility. Because "a patent is an exception to the general rule against monopolies and to the right to access to a free and

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[3] The *Achates* case is now closed.

open market," the public has "a paramount interest in seeing that patent monopolies ... are kept within their legitimate scope." *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945).

This public interest can be vindicated by judicial invalidation of patents based on clear and convincing evidence sufficient to overcome the presumption of validity. 35 U.S.C. § 282. But Congress has also long empowered the PTO to protect the public from invalid patent monopolies. One mechanism for doing so is the reexamination process. *Id.* §§ 301-307. More recently, Congress adopted the AIA review proceedings to provide "a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court." H.R. Rep. No. 112-98, pt. 1, at 45, 48 (2011).

The purpose of these proceedings is to create a fast and efficient system that gives the PTO the tools necessary to weed out "low quality and dubious" patents and "separate the inventive wheat from the chaff." 157 Cong. Rec. S130, S131 (daily ed. Jan. 25, 2011) (Statement of Sen. Leahy). IPR serves the same purpose as post-grant review proceedings, which allow companies "to go back to the PTO and demonstrate ... that the patent *shouldn't have been issued in the first place.* That way *bad patents can be knocked out in an efficient administrative proceeding*, avoiding costly litigation." 157 Cong Rec. S1053, S1053 (daily ed. Mar. 1, 2011) (Statement of Sen. Schumer) (emphases added); see also 157 Cong. Rec. H4420, H4425-26 (daily ed. June 22, 2011) (Statement of Rep. Goodlatte); H.R. Rep. No. 112-98, pt. 1, at 47, 163-64. Thus, IPR proceedings enable an efficient means of obtaining a substantive determination by the PTO itself as to whether particular patent claims should have issued.

Section 311 of the Patent Act permits IPR by any party "who is not the owner of" a patent to seek invalidation of one or more of the patent's claims as obvious or anticipated "on the basis of prior art consisting of patents or printed publications." 35 U.S.C. § 311(a)-(b). Section 312 sets forth the requirements of the petition, including the requirement that the petition identify, "in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." *Id.* § 312(a)(3).

Under § 313, the patent owner can file a preliminary response to the petition setting forth "reasons why no [IPR] should be instituted based upon the failure of the petition to meet any requirement of this *chapter*." *Id.* § 313 (emphasis added). A preliminary response can therefore include arguments that IPR should not be instituted because the petitioner previously "filed a civil action challenging the validity of a claim of the patent," or because the petitioner was served more than a year earlier with a complaint alleging infringement of the patent. *Id.* § 315(a), (b). PTO guidance states that such election-of-remedies and timeliness bars under § 315(a) and § 315(b) can be raised in the patent owner's preliminary response. See 77 Fed. Reg. 48756, 48764 (Aug. 14, 2012) (response can assert that the petitioner "is statutorily barred from pursuing a review").

Under § 314, the Board, acting under a delegation of authority from the director of the PTO,[4] makes the threshold determination whether IPR should be instituted. To do so, the Board must determine "that

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[4] *See* 37 C.F.R. § 42.108; *see also id.* § 42.4.

the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C. § 314(a). "The determination ... whether to institute an [IPR] under this section shall be final and nonappealable." *Id.* § 314(d).

If the Board decides to institute IPR, it conducts robust proceedings in which parties depose experts, submit briefs on the patentability dispute, and participate at an oral hearing before a three-judge panel of the Board. See *id.* § 316; see also 37 C.F.R. § 42.100. At the conclusion of this process, the Board must "issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner." 35 U.S.C. § 318(a). Although the process is initiated by petitions submitted by particular parties, Congress sought to ensure that commerce and innovation are not impeded by invalid monopolies by authorizing the PTO to issue a final decision on the patentability of patent claims even if the parties to an IPR have settled. Specifically, the statute provides that, if the Board "has decided the merits of the proceeding before" settling parties request termination of those proceedings, the Board "may ... proceed to a final written decision under section 318(a)." *Id.* § 317(a). Finally, a party "dissatisfied with the final written decision ... may appeal" that decision. *Id.* § 319.

SUMMARY OF ARGUMENT

The language and structure of the IPR statute, as well as related provisions in the reexamination statute, demonstrate that § 314(d) bars all judicial review—not just interlocutory review—of institution

decisions. In fact, § 314(d) is unnecessary for the latter purpose, as institution decisions are unreviewable non-final agency actions. Limiting § 314(d) to such a purpose, moreover, fails to take account of the different language Congress used in the reexamination statute, which uses the same phrase—"final and nonappealable"—but applies it only to decisions *not* to commence proceedings.

Nor is § 314(d)'s bar limited to the Board's decision that the petitioner has shown a "reasonable likelihood" that at least one claim of the challenged patent is invalid. Other provisions of the IPR statute, as well as the PTO's implementing regulations, make clear that, in deciding whether to institute under § 314(a), the Board must consider any objections that the patent owner raises based on the requirements of the IPR statute. Thus, the bar on review of decisions "whether to institute [IPR] under this section," *id.* § 314(d), necessarily encompasses decisions with respect to all relevant objections.

This statutory evidence more than suffices to overcome the presumption of judicial review, and thereby to limit review under § 319 to the Board's substantive patentability determinations. Moreover, this limitation on judicial review does not allow the Board to engage in unreviewable *ultra vires* actions. The requirements for IPR petitions at issue in this case are not jurisdictional limits on the authority of the Board itself. They are instead claims-processing rules that speak to petitioners' procedural obligations, not the Board's power to rule on patentability. A contrary understanding would lead to the untenable conclusion that the Board lacks the power to declare patent claims unpatentable simply because a petitioner fails to comply with ministerial duties such as providing the patent owner with copies

of documents cited in the petition, or properly numbering the exhibits to the petition. Moreover, robust post-institution proceedings ensure that patentees can address the bases on which the claims of their patents are challenged.

On the other hand, limiting § 314(d)'s bar to interlocutory review of institution decisions would create an unfair scheme of asymmetrical judicial review. If a petition is denied on the basis of a procedural requirement, the petitioner would have no right to judicial review. But where the Board institutes review over such an objection, the patentee could revisit the Board's procedural ruling on appeal of the final written decision, and could have a patentability determination erased on procedural grounds, even if the patentee identifies no error in the Board's substantive ruling. Nothing in the language, history or purpose of the statute justifies this asymmetric treatment.

Finally, if § 314(d) is read to bar only interlocutory review of institution decisions, it would thwart Congress's goals of providing an efficient and cost-effective method of ensuring patent quality. Under such an interpretation, patentees could eliminate Board determinations of unpatentability on appeal, even where they do not dispute the correctness of those determinations at all. Such a scheme would result in significant wastes of agency and private resources, and deprive the public of final (and in some cases unchallenged) patentability rulings—even though the Board could reach the same result in a different case instituted at the behest of a different petitioner. Congress plainly did not intend mere procedural errors by a particular petitioner to result in such untoward consequences. In fact, Congress

authorized the Board to render patentability decisions even when a petitioner settles. *Id.* § 317(a).

ARGUMENT

I. THE STATUTE BARS ALL JUDICIAL REVIEW OF DECISIONS TO INSTITUTE *INTER PARTES* REVIEW PROCEEDINGS.

Like other provisions precluding judicial review of certain decisions, § 314(d) must be construed in light of the presumption in favor of judicial review. But that presumption does not govern where Congress's "intent to preclude judicial review is 'fairly discernible' in the detail of the legislative scheme." *Block* v. *Cmty. Nutrition Inst.*, 467 U.S. 340, 351 (1984). Here, the language, structure and purpose of the AIA demonstrate that Congress intended to permit judicial review only of the Board's substantive patentability determinations, not the Board's decisions to institute, or not to institute, IPR.

As the Federal Circuit has observed, an IPR proceeds in two stages—*i.e.*, a threshold institution stage, and a merits stage. *Achates*, 803 F.3d at 655. Significantly, Congress enacted different judicial review provisions for each stage. Section 314(d) applies to the first, and flatly bars review of *all* decisions made at the institution stage, by providing that "[t]he determination by the [Board] whether to institute an [IPR] under this section *shall be final and nonappealable*." 35 U.S.C. § 314(d) (emphasis added). By contrast, § 319, which applies to the merits stage, provides a right to appeal "the final written decision of the [Board] under section 318(a)," *id.* § 319. And final written decisions must address the merits of the dispute, *i.e.*, "the patentability of any patent claim challenged by the petitioner." *Id.* § 318(a).

These separate review provisions, tracking the distinct determinations the Board makes in each distinct stage of an IPR, make clear that Congress authorized judicial review only of "a final written decision," and foreclosed review of decisions whether to institute IPR. This focused form of judicial review is entirely consistent with the goals of the IPR process. It ensures that IPR is an expeditious and cost-effective alternative to litigating patent validity in courts, and it focuses resources on Congress's paramount objective of ensuring patent quality.

A. Section 314(d) Does Not Simply Bar Interlocutory Review Of Institution Decisions.

Section 314(d) cannot properly be understood merely to *postpone* judicial review of decisions to institute IPR until there is a final written decision. Such a reading fails to give proper effect to the provision, or to the differences between its language and the language of an analogous provision of the reexamination statute.

Congress did not need to enact § 314(d) in order to postpone judicial review of institution decisions, because such decisions would not be subject to interlocutory review in the first place. As respondent has explained, Br. at 45, under the Administrative Procedure Act, a decision merely to commence IPR would not constitute "final agency action," and thus would not be reviewable even in the absence of § 314(d). Moreover, if Congress intended only to postpone review of institution decisions, it would make no sense for § 314(d) to provide that such interim, non-final decisions are, in fact, "final." That language, by itself, would eliminate the basis for denying interlocutory review of non-final decisions. By instead providing that such decisions are "final

and nonappealable," Congress made clear that the first stage of IPR is complete, and that the decisions made in that stage are not subject to judicial review.

Moreover, reading § 314(d) to bar only interlocutory review of institution decisions fails to give effect to the important differences between the language of § 314(d) and the language of § 303(c) of the Patent Act. Under the reexamination statute, the PTO may "determine whether a substantial new question of patentability is raised," 35 U.S.C. § 303(a), and, if so, shall order reexamination of the patent, *id.* § 304. Section 303(c) provides that a "determination ... that *no* substantial question of patentability has been raised will be final and nonappealable." *Id.* § 303(c) (emphasis added). The latter provision thus bars judicial review only of a decision *not* to commence reexamination, which is why an erroneous decision to commence reexamination can be reviewed when the Board issues a final decision. *In re NTP, Inc.*, 654 F.3d 1268 (Fed. Cir. 2011).

But Congress used different language in § 314(d). It incorporated the "final and nonappealable" language of § 303(c) into § 314(d), but it applied that language to "determination[s] ... *whether* to institute," not just determinations *not* to institute. The term "whether" encompasses both positive and negative resolutions of an issue. See, *e.g.*, *Webster's Unabridged Dictionary* 2165 (2d ed. 2001) (defining "whether" as *inter alia*, "used to introduce a single alternative, the other being implied or understood"); *State ex rel. Baumruk* v. *Belt*, 964 S.W.2d 443, 447 (Mo. 1998) (explaining "the well-established rule that when the word *whether* is used to introduce an issue, *whether* encompasses both the positive and negative resolution of the issue"). Given the broader language of § 314(d)'s judicial review bar, it cannot be read to

foreclose all review of decisions not to institute, but only interlocutory review of decisions to institute. Instead, this evidence demonstrates that § 314(d) precludes judicial review of all decisions to institute, and thus overrides the "merger rule" that would otherwise permit review of such decisions in an appeal of a final written decision under § 319.[5]

Finally, the term "nonappealable" does not govern only *when* institution decisions are subject to judicial review. The IPR provisions pertaining to judicial review of final written decisions refer to "appeals" of such decisions. See 35 U.S.C. § 319 (party "dissatisfied with the final written decision ... may appeal" the decision); *id.* § 141(c) (same); *id.* § 318(b) (referring to the "time for appeal" of a final written decision). Because the right to judicial *review* of a final written decision is exercised by means of an "*appeal*," the term "nonappealable" means "non-reviewable" in this context. See, *e.g. Versata Dev. Corp.* v. *Rae*, 959 F. Supp. 2d 912, 920-21 (E.D. Va. 2013), *aff'd*, 793 F.3d 1352 (Fed. Cir. 2015).

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[5] The divergent language used in these closely related provisions also distinguishes the AIA from the statute at issue in *Lindahl* v. *OPM*, 470 U.S. 768 (1985). There, the Court ruled that a provision precluding review of OPM determinations on "questions of dependence and disability" could naturally apply only to factual determinations, and should be so read because OPM's decisions were reviewed by the Merit Systems Protection Board, whose decisions were not subject to any judicial review restrictions. *Id.* at 779. Thus, while the inferences drawn from the statutory scheme in *Lindahl* indicated that the preclusion provision was narrow, here the different language used in closely related provisions compels the conclusion that § 314(d) broadly bars review of all institution decisions.

B. Section 314(d)'s Bar Is Not Limited To Board Decisions That Find A Reasonable Likelihood That A Challenged Claim Is Unpatentable.

Nor can § 314(d) be read to bar review only of the Board's threshold determination that there is a "reasonable likelihood" that at least one of the challenged patent claims is unpatentable. 35 U.S.C. § 314(a).

A determination under § 314 is not limited to the "reasonable likelihood" determination. Under § 313, a patent owner has the right to file a response to a petition setting forth "reasons why no [IPR] should be instituted based upon the failure of the petition to meet any requirement *of this chapter*." 35 U.S.C. § 313 (emphasis added). Thus, as noted earlier, a preliminary response can include arguments that IPR should not be instituted because the petitioner is barred under the timeliness and election-of-remedies provisions of § 315. See *id.* § 315(a), (b). And the PTO had made clear that such arguments should be raised in the preliminary response. See 77 Fed. Reg. at 48764. The Board, in turn, decides whether to institute under § 314 based upon the "information presented in the petition filed under section 311 and any response filed under section 313." 35 U.S.C. § 314(a).

Thus, a decision to institute can address "any requirement of this chapter," *id.* § 313, for why IPR should not be instituted, including reasons arising under sections of the statute other than § 314. In fact, this is necessarily the case: while § 315 sets forth reasons for why IPR "may not be instituted," § 314 is the only provision that affirmatively authorizes the Board to decide whether to institute IPR. Accordingly, when it determines to institute IPR over

a § 315 objection, the Board makes that determination under § 314, and §314(d) makes a determination "under this section ... final and nonappealable." *Id.* § 314(d).

* * *

In sum, the language of § 314(d), other provisions of the IPR statute, and related provisions in the reexamination statute clearly demonstrate that Congress intended to limit review under § 319 to the Board's substantive patentability determinations, and to foreclose all judicial review, not just interlocutory review, of institution decisions. This evidence is more than sufficient to overcome the presumption of judicial review. As Apple demonstrates next, the preclusive effect of § 314(d) is consistent with the purposes of the IPR statute, and does not shield from judicial review *ultra vires* actions by the Board.

II. BARRING JUDICIAL REVIEW OF ALL INSTITUTION DECISIONS DOES NOT CAUSE UNTOWARD RESULTS AND INSTEAD FOSTERS THE PURPOSES OF *INTER PARTES* REVIEW.

Properly construed, § 314(d) does not allow the Board to ignore the statutory limits on its authority or engage in *ultra vires* conduct with impunity. To the contrary, limiting the provision's bar to interlocutory review of institution decisions would frustrate the purposes of the AIA and result in an unfair scheme of asymmetrical judicial review.

A. Barring Review Of Institution Decisions Does Not Allow The Board To Exceed The Limits Of Its Authority With Impunity.

By barring judicial review of all institution decisions, § 314(d) does not allow the Board to ignore the limits on its authority. Even when Congress intends to bar judicial review of an agency decision, this Court and others have recognized "an implicit and narrow exception" for "claims that the agency exceeded the scope of its delegated authority or violated a clear statute mandate." *Achates*, 803 F.3d at 658-59; see also *Leedom* v. *NLRB*, 358 U.S. 184 (1958) (recognizing review for *ultra vires* conduct by agency). This exception has no application here, however, because requirements such as § 312's "particularity" rule are not clear statutory limits on the Board's authority to declare patent claims unpatentable. These requirements are instead claims-processing rules that speak to the petitioner's procedural obligations, not the Board's adjudicative power.

The Court recently eschewed inquiries into whether statutory provisions are "jurisdictional" for purposes of determining the degree of deference owed to agency interpretations of such provisions. In that context, the relevant question is whether the statutory text clearly "*forecloses* the agency's assertion of authority," or "establishe[s] a *clear line*" that "the agency cannot go beyond." *City of Arlington* v. *FCC*, 133 S. Ct. 1863, 1871, 1874 (2013) (emphases added). But in the case of limits on an agency's *adjudicative* authority, the Court has recognized that some statutory limits may properly be classed as "jurisdictional." The Court has held, however, that Congress must "'clearly state[]' that the rule is

jurisdictional; absent such a clear statement, ... 'courts should treat the restriction as nonjurisdictional in character.'" *Sebelius* v. *Auburn Reg'l Med. Ctr.*, 133 S. Ct. 817, 824 (2013). Under either of these tests, § 312(a)(3)'s "particularity" requirement does not qualify as "jurisdictional," or as an unambiguous limit on the Board's authority to weed unpatentable claims from the stream of commerce.

Entitled "Requirements of Petition," § 312(a) provides that a petition "may be considered only if" various requirements are met. 35 U.S.C. § 312(a). As its title indicates, § 312(a) speaks to the *petitioner's* "procedural obligations," *EPA* v. *EME Homer City Generation, LP*, 134 S. Ct. 1584, 1602 (2014), and establishes "claim-processing rules," *Auburn Reg'l Med. Ctr.*, 133 S. Ct. at 825. A *petitioner's* noncompliance with such procedural obligations does not clearly foreclose *the Board* from exercising its adjudicative authority. Indeed, subsection (a)(3)'s "particularity" requirement is directly analogous to the "reasonable specificity" requirement that this Court deemed "non-jurisdictional" in *EME Homer*. See 134 S. Ct. at 1602-03 (requirement that "[o]nly an objection to a rule ... raised with reasonable specificity during the period for public comment ... may be raised during judicial review," 42 U.S.C. § 7607(d)(7)B), was not jurisdictional).

Other requirements of § 312 confirm that it does not limit the Board's authority. For example, subsection (a)(5) requires petitioners to provide "copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner" or its designated representative. 35 U.S.C. § 312(a)(5). It is implausible that Congress would tie the Board's adjudicative power—and its ability to ensure patent

quality—to a petitioner's compliance with this ministerial duty.

Similarly, subsection (a)(4) requires the petition to contain "such other information as the [Board] may require." *Id.* § 312(a)(4). If all of the requirements § 312(a) were truly jurisdictional, this *grant of authority* to the Board in subsection (a)(4) would incongruously increase the jurisdictional *limits* under which it operates. If, for example, a petition does not include "[t]he exhibit number of the supporting evidence relied upon to support the challenge," 37 C.F.R. § 42.104(b)(5), and this requirement is deemed "jurisdictional" because a petition "may be considered only if ... [it] provides such other information" as the Board requires, 35 U.S.C. § 312(a)(4), then such an oversight would strip the Board of its power to act. Taken to its logical conclusion, if § 312(a) renders this exhibit numbering requirement jurisdictional, a patent owner could claim at the end of a trial that, because a petitioner failed to attach to the proper numbers to its evidence, the Board must terminate the proceeding. This absurdity underscores that § 312(a) "does not speak to [the Board's] authority, but only to a [petitioner's] procedural obligations." *EME Homer*, 134 S. Ct. at 1602.[6]

This is not to say that the Board is subject to no jurisdictional limitations. As the Federal Circuit

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[6] Nor is § 315(b)'s time-bar a jurisdictional limit on the Board's authority to declare claims unpatentable. This Court's recent decisions recognize that "filing deadlines ordinarily are *not* jurisdictional," and should not be treated as such unless "Congress has 'clearly state[d]' that the rule is jurisdictional." *Auburn Reg'l Med. Ctr.*, 133 S. Ct. at 824-25 (alteration in original; emphasis added). *See Achates*, 803 F.3d at 658 (applying this principle and concluding that § 315(b) is procedural, not jurisdictional).

recognized in a closely related context, the Board's "authority to enter a 'final written decision' invalidating a patent" in CBM review—*i.e.*, the Board's jurisdiction—is limited by the requirement that the patent at issue *be* a covered business method patent. *Versata Dev. Grp., Inc.* v. *SAP Am., Inc.*, 793 F.3d 1306, 1320 (Fed. Cir. 2015). "If a particular patent is not a CBM patent, there is no proper pleading that could be filed to bring it within the [Board's] authority" to invalidate such patents. *Id.* But as Apple has demonstrated, § 312(a)(3)'s "particularity" requirement is plainly not a jurisdictional limit on the Board's power to declare claims unpatentable in IPR proceedings.

Finally, recognizing that § 312(a)(3)'s "particularity" requirement is not jurisdictional does not expose patentees to the risk that they will be deprived of property without adequate notice. A patentee can respond to the grounds for institution and present contrary evidence in its patent owner response, which it has a right to file after the proceeding has been instituted. 35 U.S.C. § 316(a)(8). Moreover, any party to the proceeding can seek leave to file additional papers after institution. See 37 C.F.R. § 42.20.

For example, in *SightSound*, after the patent owner argued that it had been deprived of a fair opportunity to respond to the obviousness grounds on which review had been instituted, the Board granted it "additional time for argument and authorized it to filesur-replies and new declaration testimony on the issue of obviousness, 'to ensure that Patent Owner has a full and fair opportunity to be heard on the issue of obviousness.'" *SightSound*, 809 F.3d at 1312 (quoting Board decision).

B. Construing Section 314(d) To Bar Only Interlocutory Review Of Institution Decisions Would Frustrate Congress's Purposes And Be Unfair To Petitioners.

Interpreting § 314(d) to bar only interlocutory review of institution decisions would create an unfair system of asymmetrical review and lead to extraordinary waste and inefficiency. These consequences confirm that such a limited reading of § 314(d) is incorrect.

Allowing review of institution decisions only after the Board's final decision on patentability would create an unfair system where the Board's decisions to institute would be reviewable but its decisions *not* to institute would be unreviewable. Under such an interpretation, a party whose petition for IPR is denied would be barred from appealing the denial, even if it was based on procedural grounds. Yet a patent owner could eventually overturn an institution decision on the same procedural grounds. For example, if the Board denied a petition because it overlooked evidence supporting a ground articulated in the petition, the petitioner could not appeal the Board's decision. Yet the patent owner could overturn the Board's decision if it relied on a ground to institute that allegedly was not articulated with sufficient particularity in the petition. Petitioners would always face the prospect of reversal of favorable institution rulings yet be unable to appeal unfavorable institution decisions.

Moreover, if any procedural defect in a petition were properly classed as jurisdictional—and, as Apple has shown, they are not—it would make no sense for Congress to authorize judicial review, but to postpone that review until the conclusion of the IPR. Such a review scheme results in a complete waste of

agency and private party resources, which are spent on matters that (according to petitioner) the Board has no authority to hear.

Indeed, two cases in which Apple has participated vividly illustrate the waste and inefficiencies that such a reading of § 314(d) would spawn. In *Achates*, the patent owner did not even "appeal the Board's substantive decisions that the challenged claims are invalid." 803 F.3d at 654. Instead, it tried to erase the Board's finding of unpatentability by challenging the Board's determination that Apple's petition was timely under § 315(b). *Id.* The Federal Circuit properly held that § 314(d) precluded this procedural challenge to the Board's ruling. *Id.* at 658-59. Had the court entertained that challenge and reversed the institution decision on timeliness grounds, the Board's *undisputed* determination that Achates' claims were unpatentable and never should have issued would have been undone.

Similarly, in *SightSound*, "while Apple's petitions did not assert obviousness explicitly, they nevertheless 'supported [such] a ground' [of unpatentability] based on their detailed explanation of the various [prior art] references" included in the petition. *SightSound*, 809 F.3d at 1312 (first alteration in original) (quoting Board's decision). The Board concluded that the patent claims were, in fact, obvious, because Apple had explained "'in detail *in its Petition[s]* how the [references] teach every limitation' of the claims, and ... the reason to combine was manifested by the references themselves." *Id.* (quoting Board decision; emphasis added; first alteration in original). The Federal Circuit upheld this obviousness determination on appeal. *Id.* at 1317-20. Yet SightSound insists that it should be free to enforce its unpatentable claims based on an

alleged violation of the parallel particularity requirement in CBM review. See SightSound Br. at 3 (claiming that "the Board's substantive conclusions ... would not have been reached but the Board's" allegedly *ultra vires* acts).

Reading § 314(d) to prohibit only interlocutory review of institution decisions would not only lead to wasteful and inefficient use of agency and private resources, it would deprive the public of the Board's patentability determinations. Under such a reading, the Board's ruling of unpatentability could be wiped out based on a particular petitioner's procedural errors, including errors as picayune as failing to properly number exhibits in a petition (35 U.S.C. § 312(a)(4) and 37 C.F.R. § 42.104(b)(5)), even though the Board could render the same ruling at the behest of another petitioner. In order for the public to benefit from that ruling, another petitioner would have to initiate a new IPR, which would take another year to complete and require the parties to re-argue, and the Board to re-hear, issues addressed in the prior ruling.

Such a scheme cannot be reconciled with Congress's clear desire to "provid[e] quick and cost effective alternatives to litigation" and "improve patent quality and restore confidence in the presumption of validity." H.R. Rep. No. 112-98, pt. 1, at 48. Congress authorized the Board to weed out "low quality and dubious" patents and "separate the inventive wheat from the chaff." 157 Cong. Rec. S131 (daily ed. Jan. 25, 2011) (Statement of Sen. Leahy). It is implausible that Congress designed the IPR process in a manner that would require the PTO to spend significant and scarce resources to determine the patentability of claims at the risk that its determination could be undone based on procedural errors at the institution stage and the entire process would have to be

undertaken again at the behest of another petitioner.[7] Indeed, the fact that Congress authorized the Board to issue a final written decision on patentability even after *the petitioner has settled*, see 35 U.S.C. § 317(a), confirms that Congress did not intend a particular petitioner's procedural defaults to provide the basis for nullifying the Board's substantive patentability rulings.

CONCLUSION

For all of the foregoing reasons, *amicus* Apple respectfully urges the Court to affirm the Federal Circuit's judgment with respect to the non-reviewability of institution decisions.

Respectfully submitted,

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[7] *See generally* USPTO, *Fiscal Year 2017 Congressional Justification* 61-62 (Feb. 9, 2016), http://www.uspto.gov/sites/default/files/documents/fy17pbr.pdf (describing workload and burdens on the PTO arising from AIA proceedings).

No. 15-446

IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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QUESTION PRESENTED

Whether the PTO may require that, during an *inter partes* review, the claims in a patent will be given the "broadest reasonable construction" consistent with the patent's specification.

TABLE OF CONTENTS

	Page
Question Presented	i
Interest of *Amici Curiae*	1
Summary of Argument	2
Argument	3
I. Congressional Intent And The Structure Of The AIA Support The PTO's Decision To Use The Broadest Reasonable Interpretation Standard In *Inter Partes* Review	3
A. The PTO correctly employs the broadest reasonable interpretation standard in light of Congress's intent for *inter partes* review to guard against improvidently granted patents	3
B. Congress recognized that different decisions could be reached in different fora, as shown by the history of reexamination and its express decision to impose different burdens of proof for aspects of *inter partes* review	5
C. *Inter partes* review replaces *inter partes* reexamination, and should be allowed to use the same standard	6
II. Congress Implemented A Balance Between Patent Owners And Challengers In The AIA's Provisions That Supports The PTO's Use Of The Broadest Reasonable Interpretation Standard	7

TABLE OF CONTENTS—Continued

Page

A. The discretion legislatively granted to the PTO, and concurrent reissue availability, support using the broadest reasonable interpretation standard in *inter partes* review 8

B. The availability of claim amendments during *inter partes* review also supports the use of the broadest reasonable interpretation standard 9

C. The PTO's choice to use the broadest reasonable interpretation standard in *inter partes* review is further supported by the AIA's expansion of a patent owner's ability to obtain reissue 11

D. Cuozzo's attempt to distinguish the long-standing use of the broadest reasonable interpretation standard in interference proceedings highlights fundamental flaws in its argument 12

III. The Broadest Reasonable Interpretation Standard Maintains Consistency Between *Inter Partes* Review And Traditional Litigation Because, For Most Practical Purposes, Modern Patent Litigation Runs On A Reasonableness Standard 13

IV. Both This Court's Precedents And The PTO's Lengthy Track Record Demonstrate The Suitability Of The Broadest Reasonable Interpretation Standard To *Inter Partes* Review 17

TABLE OF CONTENTS—Continued

Page

A. This Court has applied a standard similar to broadest reasonable interpretation—the "fairly susceptible" standard—in its own claim-construction precedent 17

B. The PTO has long employed the broadest reasonable interpretation standard in a variety of patent proceedings 19

Conclusion 20

TABLE OF AUTHORITIES

Page

CASES

Ariosa Diagnostics v. *Verinata Health, Inc.*,
805 F.3d 1359 (Fed. Cir. 2015) 11

AT&T Techs., Inc. v. *Commc'ns Workers of Am.*,
475 U.S. 643 (1986) 18

Bates v. *Coe*,
98 U.S. 31 (1878) 18

Chevron U.S.A., Inc. v. *Nat. Res. Def. Council, Inc.*,
467 U.S. 837 (1984) 10

Cleancut LLC v. *Rug Doctor, Inc.*,
No. 2:08-CV-836-TC, 2011 WL 5057005
(D. Utah Oct. 19, 2011) 16

CollegeNet, Inc. v. *ApplyYourself, Inc.*,
418 F.3d 1225 (Fed. Cir. 2005) 15

Commil USA, LLC v. *Cisco Systems, Inc.*,
135 S. Ct. 1920 (2015) 16

Coupe v. *Royer*,
155 U.S. 565 (1895) 19

Davis v. *Mich. Dep't of Treasury*,
489 U.S. 803 (1989) 12

Eon-Net LP v. *Flagstar Bancorp*,
653 F.3d 1314 (Fed. Cir. 2011) 14

Fresenius USA, Inc. v. *Baxter Int'l, Inc.*,
721 F.3d 1330 (Fed. Cir. 2013) 5

GE Lighting Sols., LLC v. *AgiLight, Inc.*,
750 F.3d 1304 (Fed. Cir. 2014) 15

TABLE OF AUTHORITIES—Continued

Page

iLOR, LLC v. *Google, Inc.*,
631 F.3d 1372 (Fed. Cir. 2011) 14

In re Carr,
297 F. 542 (D.C. Cir. 1924) 19

In re Prater,
415 F.2d 1393 (C.C.P.A. 1969) 19

In re Reuter,
670 F.2d 1015 (C.C.P.A. 1981) 8, 20

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984) 19

Jack Guttman, Inc. v. *Kopykake Enters., Inc.*,
302 F.3d 1352 (Fed. Cir. 2002) 15

Lake Shore & Mich. S. Ry. Co. v. *Nat'l Car-Brake Shoe Co.*,
110 U.S. 229 (1884) 19

Leo Pharm. Prods., Ltd. v. *Rea*,
726 F.3d 1346 (Fed. Cir. 2013) 20

McClain v. *Ortmayer*,
141 U.S. 419 (1891) 18, 19

Microsoft Corp. v. *i4i Ltd.*,
131 S. Ct. 2238 (2011) 6

Network Commerce, Inc. v. *Microsoft Corp.*,
422 F.3d 1353 (Fed. Cir. 2005) 15, 16

Nike, Inc. v. *Adidas AG*,
No. 2014-1719, 2016 WL 537609 (Fed. Cir. Feb. 11, 2016) 9

Reese v. *Hurst*,
661 F.2d 1222 (C.C.P.A. 1981) 20

TABLE OF AUTHORITIES—Continued

Page

Sealant Sys. Int'l, Inc. v. *TEK Glob., S.R.L.*, 616 Fed. App'x 987 (Fed. Cir. 2015) 19

Smith v. *Snow*, 294 U.S. 1 (1935) 18

Source Vagabond Sys. Ltd. v. *Hydrapak, Inc.*, 753 F.3d 1291 (Fed. Cir. 2014) 14

Univ. of Va. Patent Found. v. *Gen. Elec. Co.*, C.A. No. 3:14CV51, 2015 WL 6958073 (W.D. Va. Nov. 10, 2015) 15

Wright v. *Universal Mar. Serv. Corp.*, 525 U.S. 70 (1998) 18

Zamperla, Inc. v. *I.E. Park SRL*, No. 6:13-CV-1807-Orl-37, 2014 WL 6473728 (M.D. Fla. Nov. 18, 2014) 16

STATUTES AND RULES

35 U.S.C. § 122 11

35 U.S.C. § 251 ..... 8, 13

35 U.S.C. § 311 4

35 U.S.C. § 314 ..... 10, 11

35 U.S.C. § 315 ..... 4, 9

35 U.S.C. § 316 ..... 4, 6, 7, 8, 10, 11

35 U.S.C. § 318 4

35 U.S.C. § 321 12

Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 5

Act of Nov. 29, 1999, Pub. L. No. 106-113, 113 Stat. 1501A 7

TABLE OF AUTHORITIES—Continued

Page

Fed. R. Civ. P. 11 14

Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 285 (2011) 11

N.D. Ill. Local Patent R. 4.1 15

W.D. Wash. Local Supp. Patent R. 132 15

LEGISLATIVE MATERIALS

157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) 5

H.R. Rep. No. 112-98, pt. 1 (2011) 3

IN THE

Supreme Court of the United States

No. 15-446

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICI CURIAE* CME GROUP, INC., TD AMERITRADE, INC., AND INTERCONTINENTAL EXCHANGE INC. SUPPORTING RESPONDENT

INTEREST OF *AMICI CURIAE*[1]

Amici CME Group, Inc., TD Ameritrade, Inc., and Intercontinental Exchange Inc. are all leaders in the financial industry. CME Group owns and operates the Chicago Mercantile Exchange, the Chicago Board of Trade,

[1] Petitioner's counsel of record consented to the filing of this brief by filing a blanket consent with the Clerk. Respondent's counsel of record has consented to the filing of this brief. *Amici* state that no portion of this brief was authored by counsel for a party and that no person or entity other than *amici*, their counsel, or their members made a monetary contribution intended to fund the preparation or submission of this brief.

the Commodity Exchange, and the New York Mercantile Exchange; TD Ameritrade is a major financial broker; and Intercontinental Exchange owns and operates a number of exchanges, including the New York Stock Exchange. Much of *amici*'s business concerns the development and adoption of new technologies for use in increasing the efficiency, reliability, and flexibility of U.S. financial markets. Those efforts have fostered a strong interest in U.S. patent law, as they have resulted in *amici* being patent owners and frequent participants in both patent litigation in the federal courts and post-grant proceedings in the U.S. Patent and Trademark Office (PTO). That firsthand experience with the on-the-ground realities of both litigation and PTO proceedings in the post-America Invents Act (AIA) environment affords *amici* a unique perspective on the two systems—a perspective particularly useful in resolving the first question presented in this case.

SUMMARY OF ARGUMENT

The AIA's structure and purpose mandate the broadest reasonable interpretation standard as the appropriate claim-construction standard for *inter partes* review. First, the PTO can best fulfill its congressionally intended mission to guard against improvidently granted patents if it applies the same claim-construction standard that the PTO does when it initially examines patent applications and reexamines granted patents. Second, the AIA's expansion of the patent owner's right to reissue a patent, including adding new claims and amending existing claims, along with the creation of a claim-amendment process in *inter partes* review confirm Congress's intent that the broadest reasonable interpretation standard should govern *inter partes* review. Finally, the AIA's express imposition of a different burden of proof in *inter partes* review than the one that applies in district court

litigation dispels the notion that Congress intended strict uniformity between those two fora.

Moreover, because district court patent litigation runs on a reasonableness standard—rather than the *Phillips* ordinary-meaning standard—for most practical purposes, there is no disharmony in using the broadest reasonable interpretation standard in *inter partes* review. This Court's endorsement of the broadest reasonable interpretation standard as a step in the claim-construction process further supports its use in *inter partes* review. For all of these reasons, the PTO correctly decided to employ the broadest reasonable interpretation standard in *inter partes* review.

ARGUMENT

I. CONGRESSIONAL INTENT AND THE STRUCTURE OF THE AIA SUPPORT THE PTO'S DECISION TO USE THE BROADEST REASONABLE INTERPRETATION STANDARD IN *INTER PARTES* REVIEW

Viewing the entire AIA in the context of the motivating congressional concerns and the previous legislative regime yields the undeniable conclusion that Congress intended the PTO to use the broadest reasonable interpretation standard in *inter partes* review.

A. The PTO correctly employs the broadest reasonable interpretation standard in light of Congress's intent for *inter partes* review to guard against improvidently granted patents

A principal motivation of Congress in passing the AIA was to address the problem of improvidently granted patents. See H.R. Rep. No. 112-98, pt. 1, at 38-39 (2011) (explaining that the Act "reflect[s] a growing sense that questionable patents are too easily obtained and are too difficult to challenge" and aims to "correct flaws in the system that have become unbearable") (http://www.uspto.gov/sites/default/files/aia_implementation/crpt-112hrpt98-pt1.pdf). *Inter partes* review—the

AIA's signature reform—formed the core of the solution to this problem. In order to check the PTO's work in initially granting a patent, *inter partes* review must employ the same standard as the PTO did when it issued the patent: the broadest reasonable interpretation standard. Employing a different standard, as Cuozzo advocates, would frustrate this motivating congressional concern of the AIA and allow patents that should not have been granted under the broadest reasonable interpretation standard to nevertheless survive *inter partes* review.

Further highlighting Congress's core concern in creating *inter partes* review, the AIA requires the PTO to determine *patentability*—an examination concept—not invalidity. 35 U.S.C. §§ 311(b), 316(e), 318. The AIA clearly distinguishes between an *invalidity* claim filed in a district court and the assertion of *unpatentability* in *inter partes* review. A party may file "a civil action challenging the *validity* of a claim" in district court, 35 U.S.C. § 315(a)(1) (emphasis added), but a "petitioner in an inter partes review may request to cancel *as unpatentable* 1 or more claims of a patent." 35 U.S.C. § 311(b) (emphasis added); see also 35 U.S.C. §§ 316(e), 318. Through its language, Congress unambiguously chose to differentiate an *inter partes* review's patentability analysis from a district court's invalidity determination. For *inter partes* review proceedings, Congress used the examination lexicon, which is historically tied to the broadest reasonable interpretation standard.

The AIA's legislative history confirms this understanding. One of the statute's co-sponsors, Senator Kyl, made clear his belief that the broadest reasonable interpretation standard would govern *inter partes* review. He explicitly highlighted that Section 5(g) of the AIA would help "identify inconsistent statements" by the patent owner that are broader than the "'broadest reasonable construction'" standard that would apply "in an inter

partes review." See 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl). In summary, use of the broadest reasonable interpretation standard during *inter partes* review aligns with one of Congress's principal concerns in passing the AIA and creating *inter partes* review.

B. Congress recognized that different decisions could be reached in different fora, as shown by the history of reexamination and its express decision to impose different burdens of proof for aspects of *inter partes* review

Statutory text and history demonstrate Congress's acceptance that PTO proceedings and district court litigation might reach divergent results based on their different standards. *Ex parte* reexamination is an example. In the 36 years since its creation, *ex parte* reexamination has been a process in which the PTO reconsiders the patentability of claims of issued patents using the broadest reasonable interpretation standard for claim construction.[2] That practice has led to different rulings between the PTO and district courts, which in turn has at times caused a race to a final judgment. See, *e.g.*, *Fresenius USA, Inc.* v. *Baxter Int'l, Inc.*, 721 F.3d 1330, 1339 (Fed. Cir. 2013) (stating that so long as the judgment in the infringement action is not final, "the language and legislative history of the reexamination statute show that Congress expected * * * that cancellation of claims during reexamination would be binding in concurrent infringement litigation").

When Congress created *inter partes* review in the AIA, it was fully aware of this decades-long history of the PTO engaging in *ex parte* reexaminations using the broadest reasonable interpretation standard concurrently with district court litigation involving the same patent

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[2] See Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015.

employing the *Phillips* ordinary-meaning standard. Yet Congress left it to the PTO to specify the claim-construction standard for the new *inter partes* review proceeding. That silence demonstrates that Congress accepted the historical distinctions between district court actions and PTO proceedings.

There is more than congressional silence on this point, however. Congress affirmatively mandated that different burdens of proof apply in *inter partes* review and district court proceedings. Specifically, *inter partes* review of patentability is based on a preponderance-of-the-evidence standard. 35 U.S.C. § 316(e). In contrast, an invalidity defense requires clear and convincing evidence to overcome the statutory presumption of validity. *Microsoft Corp.* v. *i4i Ltd.*, 131 S. Ct. 2238, 2242 (2011). Cuozzo cannot square that express discontinuity with its claim that Congress wanted patentability and invalidity determinations to always align perfectly. The opposite conclusion is inescapable: Congress decided that the results of district court invalidity determinations would sometimes be different from results of PTO reviews of patentability. That follows from the different burdens of proof and the different claim-construction standards—broadest reasonable interpretation for *inter partes* review and *Phillips* ordinary meaning for litigation.

C. *Inter partes* review replaces *inter partes* reexamination, and should be allowed to use the same standard

Inter partes review at the PTAB entirely replaced *inter partes* reexaminations at the PTO, a proceeding which employed the broadest reasonable interpretation standard. Despite the fact that the PTO used the broadest reasonable interpretation claim-construction standard for *inter partes* reexaminations in the years before the

enactment of the AIA,[3] Congress did not legislate a change to the claim-construction standard used by the PTO when it instituted *inter partes* review. It is difficult to imagine a clearer indication that it did not intend to alter this core standard. Moreover, Congress granted the PTO the broad power to "prescribe regulations * * * establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title." 35 U.S.C. § 316(a)(4). The PTO employed that power here to continue to use the broadest reasonable interpretation standard in the new *inter partes* review proceeding.

II. CONGRESS IMPLEMENTED A BALANCE BETWEEN PATENT OWNERS AND CHALLENGERS IN THE AIA'S PROVISIONS THAT SUPPORTS THE PTO'S USE OF THE BROADEST REASONABLE INTERPRETATION STANDARD

In complaining that the broadest reasonable interpretation standard would create an imbalance between patent owners and challengers, Cuozzo ignores the various options available to a patent owner to amend its patent after issuance that Congress maintained and expanded in the AIA. Instead, Cuozzo addresses only a few sections of the AIA to create a distorted view of the actual balance Congress implemented. Taking into account all the post-grant options available, including those provided in the AIA, there is no reason to override PTO's decision to use the broadest reasonable interpretation standard in *inter partes* review.

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[3] See Act of Nov. 29, 1999, Pub. L. No. 106-113, § 4604, 113 Stat. 1501A-570.

A. The discretion legislatively granted to the PTO, and concurrent reissue availability, support using the broadest reasonable interpretation standard in *inter partes* review

Congress delegated the PTO the power to "establish[] and govern[] inter partes review under this chapter and the relationship of such review to other proceedings under this title." 35 U.S.C. § 316(a)(4). That authority necessarily includes the power to promulgate regulations governing the interplay between a patent owner's right to amend claims through reissue and a challenger's right to establish unpatentability in an *inter partes* review. The AIA explicitly allows the PTO to balance those competing interests, and the PTO did so by adopting the broadest reasonable interpretation standard for *inter partes* review. That exercise of conferred discretion should not be disturbed.

The PTO's approach is consistent with the patent owner's ability to file a petition for reissue[4] to seek additional claims or amend existing claims, before, during, or after the *inter partes* review. See 35 U.S.C. § 251(a). If filed before the second anniversary of the patent's issuance, a patent owner can even seek to broaden the coverage of its claims using the reissue process. *Id.* § 251(d). Therefore, if the PTO does not use the broadest reasonable interpretation standard during *inter partes* review proceedings, then a patent owner could receive inconsistent patentability rulings in concurrent PTO proceedings relating to the exact same claims.

Further reflecting Congress's desire for consistency as to the claim-construction standard, the AIA authorizes the PTO to issue "stay, transfer, consolidation, or termi-

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[4] Reissue proceedings use the broadest reasonable interpretation standard for claim construction. See *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A. 1981).

nation" orders for other proceedings in the PTO pending an *inter partes* review if the proceeding "involve[s]" the same patent. See 35 U.S.C. § 315(d). Because the PTO has this power to consolidate multiple PTO proceedings, including *inter partes* review, it is especially unreasonable to deny the PTO the ability to proscribe regulations making those proceedings consistent.

B. The availability of claim amendments during *inter partes* review also supports the use of the broadest reasonable interpretation standard

Petitioner also fails to explain its disregard of the explicit availability of amendments during *inter partes* review. Although the AIA provisions that allow amendment during post-grant proceedings do impose some limitations on the right to amend in *inter partes* review, the right to amend is far from illusory. See *Nike, Inc.* v. *Adidas AG*, No. 2014-1719, 2016 WL 537609 (Fed. Cir. Feb. 11, 2016) (vacating and remanding a denial of claim amendment during *inter partes* review). The limitations accompanying that right are entirely reasonable in light of the time-limited nature of the proceeding, the lack of an examination process, and the patentee's knowledge both of the exact challenges to its claims and the entire set of possible prior art that can be cited against its patent in that proceeding.[5]

Congress set up *inter partes* review as a specialized process where the patent owner first is given access to all of the prior art and arguments for unpatentability and then allowed to amend the claims to overcome that art. Additionally, the patent owner already knows that the PTO believes that "there is a reasonable likelihood that

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[5] Cuozzo's request to amend was rejected because it attempted to amend its claims to be broader than what the PTO found to be covered under the broadest reasonable interpretation.

the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C. § 314(a). In short, the patent owner knows the aspects of its patent that aroused the PTO's concern and all of the prior art supporting that concern. Armed with that knowledge, a patent owner can address those concerns with a single motion to amend (as of right).

Additionally, given that the statute explicitly grants the patent owner only the right to make narrowing amendments, the PTO's use of the broadest reasonable interpretation standard gives the patent owner as much leeway to amend as possible. Without the PTO's use of the broadest reasonable interpretation standard, the patent owner's attempts to amend during *inter partes* review will be artificially limited in a way that is wholly inconsistent with the concurrent availability of amendments in other proceedings, such as reissue. Thus, the statute's express grant of the right to amend during *inter partes* review supports the PTO's decision to use the broadest reasonable interpretation standard in *inter partes* review proceedings.

Moreover, a holding that the PTO is not allowed to use the broadest reasonable interpretation standard may result in two different standards during a single *inter partes* review proceeding. The statute explicitly instructs the PTO to promulgate regulations setting the "standards and procedures" for claim amendment during *inter partes* review. *Id.* § 316(a)(9). The standard for claim construction is a necessary part of that process. Thus, at a minimum, the PTO deserves *Chevron* deference for the promulgation of regulations implementing its governing its statutory mandate. See *Chevron U.S.A., Inc.* v. *Nat. Res. Def. Council, Inc.*, 467 U.S. 837 (1984). Refusing the PTO the discretion to use the broadest reasonable interpretation standard in final decisions, while allowing its use for amendments during *inter partes* review, would

needlessly complicate the amendment-during-*inter-partes*-review process, thereby making it less available to patent owners and frustrating the "expedition-and efficiency-based policies" underlying the establishment of *inter partes* review proceedings. See *Ariosa Diagnostics* v. *Verinata Health, Inc.*, 805 F.3d 1359, 1367 (Fed. Cir. 2015).

C. The PTO's choice to use the broadest reasonable interpretation standard in *inter partes* review is further supported by the AIA's expansion of a patent owner's ability to obtain reissue

At the same time Congress created *inter partes* review, it also expanded the availability of reissue by removing the requirement that it be used only to correct errors made "without deceptive intention." See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 20, 125 Stat. 285, 334 (2011). That change in the statute allows patent owners to seek reissue independent of the original prosecution, so that the patent owner may focus the reissue proceeding on potential changes to the patent, including its claims. Congress's choice to expand the post-grant opportunity to amend claims through reissue in the AIA, while also creating the *inter partes* review procedure that includes claim-amendment opportunities, indicates Congress was aware of and supported the way that the PTO has implemented the claim-amendment process.

The changes in post-grant practice implemented by the AIA are consistent with the rationale underlying long-established use of the broadest reasonable interpretation standard at the PTO. The statutorily required fast adjudication (35 U.S.C. § 314(b)), the statutory lack of a right to appeal (*id.* § 314(d)), the statutorily prescribed low evidentiary standard (*id.* § 316(e)), the addition of preissuance submissions by third parties during original prosecution (*id.* § 122(e)(1)), and the creation of post-

grant review (*id.* § 321 et seq.), are just a few examples of the attempts by Congress to fix a system hampered by the frequent issuance of nuisance patents. The notion that Congress intended to reverse the PTO's longstanding and consistent use of the broadest reasonable interpretation claim-construction standard is incompatible with the overall statutory scheme. See *Davis* v. *Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989) ("[S]tatutory language cannot be construed in a vacuum. It is a fundamental canon of statutory construction that the words of a statute must be read in their context with a view to their place in the overall statutory scheme.").

D. Cuozzo's attempt to distinguish the longstanding use of the broadest reasonable interpretation standard in interference proceedings highlights fundamental flaws in its argument

Making a statement equally applicable to *inter partes* review, Cuozzo concedes that the broadest reasonable interpretation standard is justified in interference proceedings because of the patent owner's ability to file a reissue, stating:

> The PTO also applies the BRI protocol in interference proceedings, which are a "contest * * * between an application and either another application or a patent" to determine "which party first invented the commonly claimed invention." PTO Manual § 2301. *The BRI protocol is used in interferences because a patentee may "narrow its claims by filing an application to reissue the patent [and] requesting that the reissue application be added to the interference."* *Bamberger* v. *Cheruvu*, 55 U.S.P.Q.2d 1523, 1526 (B.P.A.I. 1998) (unpublished). The AIA changed the U.S. patent system from a "first-to-invent" to a "first-inventor-

> to-file" system, and thus interference proceedings eventually will be eliminated.

Cuozzo Br. 25 n.6 (emphasis added).

Yet, reissue availability in interference proceedings is directly analogous to its availability in *inter partes* review proceedings. During an interference proceeding involving an issued patent—just as in an *inter partes* review—the patent owner participates in a post-issuance *inter partes* adversarial process that could result in cancellation of issued claims. Further, reissue applications are equally available to a patent owner participating in an interference or *inter partes* review. See 35 U.S.C. § 251(a). Thus, Cuozzo's footnote 6 is equally applicable to *inter partes* review and undermines the entire argument in Section I.A. of Cuozzo's brief. Put simply, interference proceedings' use of the broadest reasonable interpretation standard strengthens the argument for using that standard in *inter partes* review and weakens Cuozzo's position.

III. THE BROADEST REASONABLE INTERPRETATION STANDARD MAINTAINS CONSISTENCY BETWEEN *INTER PARTES* REVIEW AND TRADITIONAL LITIGATION BECAUSE, FOR MOST PRACTICAL PURPOSES, MODERN PATENT LITIGATION RUNS ON A REASONABLENESS STANDARD

Inter partes review bears some of the features of district court patent litigation, but differs in many respects. Cuozzo presents a skewed picture of patent litigation in asserting that the broadest reasonable interpretation standard creates inconsistency with the standards used in litigation. See Cuozzo Br. 26-35. In fact, use of the broadest reasonable interpretation standard in *inter partes* review is entirely consistent with the realities of patent litigation.

The *Phillips* ordinary-meaning standard for infringement and validity analysis is the principal standard at the

time of district court claim construction, but it is not the standard that dominates the practical realities of patent litigation. Instead, a basic reasonableness standard—which closely resembles the broadest reasonable interpretation standard—informs the vast majority of any given patent litigation. That makes the broadest reasonable interpretation standard a natural choice for *inter partes* review to the limited extent it serves as a replacement for traditional patent litigation.

Reasonableness alone limits a patent plaintiff's theories of claim construction up until the point at which the district court actually construes disputed terms in the claims. Federal Rule of Civil Procedure 11's prohibition against frivolous legal arguments is the primary basis for that reasonableness standard. See Fed. R. Civ. P. 11(b). It imposes a requirement that a party must be able to "reasonably argue for the claim construction that it propose[s]." *iLOR, LLC* v. *Google, Inc.*, 631 F.3d 1372, 1379 (Fed. Cir. 2011). That is a low bar, one that is met so long as the proposed construction is not "so unreasonable that no reasonable litigant could believe it would succeed." *Id.* at 1378. To be sure, that reasonableness standard provides some protection against truly baseless claim-construction theories. See *Source Vagabond Sys. Ltd.* v. *Hydrapak, Inc.*, 753 F.3d 1291, 1301 (Fed. Cir. 2014) (upholding the "impo[sition] [of] Rule 11(b)(2) sanctions based upon [the plaintiff's] frivolous claim construction arguments"); *Eon-Net LP* v. *Flagstar Bancorp*, 653 F.3d 1314, 1329 (Fed. Cir. 2011) (upholding Rule 11 sanctions because the plaintiff's proposed "claim construction position 'borders on the illogical'"). But it leaves open a vast array of possible claim constructions against which a defendant must guard in addressing a patent claim.

If district courts had to construe the entire language of the asserted claims early in litigation, then Cuozzo's consistency-based argument against the broadest rea-

sonable interpretation standard might have more weight. But that is not the case. A district court may construe the claims at any time before instructing the jury. See *Network Commerce, Inc.* v. *Microsoft Corp.*, 422 F.3d 1353, 1363-1364 (Fed. Cir. 2005) ("There is no requirement that the district court construe the claims at any particular time * * * ."); *CollegeNet, Inc.* v. *ApplyYourself, Inc.*, 418 F.3d 1225, 1234 (Fed. Cir. 2005) ("The trial court has discretion to develop the record fully and decide when the record is adequate to construe the claims."). And any early construction it does undertake is only tentative, because a district court may "revisit[] and alter[] its interpretation of the claim terms" at any point before it instructs the jury. *Jack Guttman, Inc.* v. *Kopykake Enters., Inc.*, 302 F.3d 1352, 1361 (Fed. Cir. 2002). Having multiple rounds of claim construction in a case "is not an uncommon occurrence—parties in patent cases frequently stipulate to a construction or the court construes a term, only to have their dispute evolve to a point where they realize that a further construction is necessary." *GE Lighting Sols., LLC* v. *AgiLight, Inc.*, 750 F.3d 1304, 1310 (Fed. Cir. 2014).

Further elevating the importance of the reasonableness standard, district courts often construe only some language in a patent's claims, leaving the interpretation of the remainder unbounded except for the restraints of reasonableness. Local rules in many districts force the parties to select only ten terms or phrases per patent for the court to construe. See N.D. Ill. Local Patent R. 4.1(b) ("No more than ten (10) terms or phrases may be presented to the Court for construction absent prior leave of court upon a showing of good cause."); W.D. Wash. Local Supp. Patent R. 132(c) ("The Court will construe a maximum of ten claim terms at the initial Markman hearing, unless the Court determines otherwise."). Similar practices prevail in other districts as well. See *Univ. of Va.*

Patent Found. v. *Gen. Elec. Co.*, C.A. No. 3:14CV51, 2015 WL 6958073, at *7 (W.D. Va. Nov. 10, 2015) ("The parties shall bring no more than ten (10) disputed claim terms for construction before the district court."); *Zamperla, Inc.* v. *I.E. Park SRL*, No. 6:13-CV-1807-Orl-37, 2014 WL 6473728, at *2 (M.D. Fla. Nov. 18, 2014) ("[T]he Court invokes its inherent authority to reduce the number of claim terms that it will construe during claims-construction to five terms."); *Cleancut LLC* v. *Rug Doctor, Inc.*, No. 2:08-CV-836-TC, 2011 WL 5057005, at *4 (D. Utah Oct. 19, 2011) (referencing the "ten-term limit imposed by the court"). As a consequence, the reasonableness standard continues to be the only guidepost for those parts of the claims the district court chooses not to construe.

The result is that much of a typical patent case operates on a reasonableness standard. Discovery is a prime example. "[P]arties are under an obligation to conduct discovery without the benefit of the district court's construction," meaning that the scope of discovery is bounded only by any reasonable construction of the claims. *Network Commerce*, 422 F.3d at 1364. That reasonableness standard also sets the limits for all expert disclosures, pre-trial motions, and even disputes during trial up until the point at which the district court construes the relevant language of the claims.

A construction's reasonableness governs other important aspects of patent litigation as well. This Court employed the reasonableness standard in assessing claim constructions in the induced-infringement context in *Commil USA, LLC* v. *Cisco Systems, Inc.*, 135 S. Ct. 1920 (2015). Specifically, this Court recognized there would be no liability "if the defendant reads the patent's claims differently from the plaintiff[] *and that reading is reasonable*" and non-infringing. *Id.* at 1928 (emphasis added). Thus, in induced infringement cases, a reasona-

bleness standard is especially relevant to claim constructions.

In sum, reasonableness is already the basic standard for most purposes in patent litigation. A patent defendant must prepare for and endure litigation covering the broadest reasonable interpretation of the claims. It is only natural that that same reasonableness framework should hold sway in the litigation-like context of *inter partes* review.

IV. Both This Court's Precedents And The PTO's Lengthy Track Record Demonstrate The Suitability Of The Broadest Reasonable Interpretation Standard To *Inter Partes* Review

The broadest reasonable interpretation standard enjoys a healthy pedigree in both the litigation and administrative contexts. This Court applied a similar "fairly susceptible" standard as a step in claim construction in its own patent cases, and the PTO has long used the broadest reasonable interpretation standard in many types of patent proceedings. Thus, despite Cuozzo's insinuations to the contrary, the broadest reasonable interpretation standard has proven to be workable in a wide variety of patent proceedings, and it is well-suited to the hybrid context of *inter partes* review.

A. This Court has applied a standard similar to broadest reasonable interpretation—the "fairly susceptible" standard—in its own claim-construction precedent

The broadest reasonable interpretation standard is not a foreign concept in patent litigation. In fact, this Court's precedents on claim construction employ a functionally identical framework—the "fairly susceptible" standard—as a step in construing a patent's claims. Since the nineteenth century, the "fairly susceptible" standard has fulfilled a targeted, but important, role in

claim construction, ensuring that "in a case of doubt, where the claim is fairly susceptible of two constructions, that one will be adopted which will preserve to the patentee his actual invention." *McClain* v. *Ortmayer*, 141 U.S. 419, 425 (1891).

The "fairly susceptible" standard employs the same reasonableness analysis as the broadest reasonable interpretation standard. Asking whether a claim is "fairly susceptible" to a given construction is merely another way of determining whether that construction falls within the broadest reasonable interpretation of the claim. That understanding is consistent with this Court's more recent use of a similar standard in the arbitration context. See *Wright* v. *Universal Mar. Serv. Corp.*, 525 U.S. 70, 77-78 (1998) (arbitration "should not be denied unless it may be said with positive assurance that the arbitration clause is not susceptible of an interpretation that covers the asserted dispute" (quoting *AT&T Techs., Inc.* v. *Commc'ns Workers of Am.*, 475 U.S. 643, 650 (1986)). And it also lines up well with similar analyses this Court undertakes in construing a patent's claims. See *Bates* v. *Coe*, 98 U.S. 31, 38 (1878) ("[T]he claims of the patent, like other provisions in writing, *must be reasonably construed*, and in case of doubt or ambiguity it is proper in all cases to refer back to the descriptive portions of the specification to aid in solving the doubt or in ascertaining the true intent and meaning of the language employed in the claims." (emphasis added)).

There can be no question about the suitability of this standard to claim construction. Its long track record has demonstrated that the "fairly susceptible" standard ably performs its duties of separating the wheat from the chaff when construing claims. This Court has applied that standard to reach different results based on the divergent facts of specific cases. Compare *Smith* v. *Snow*, 294 U.S. 1, 14 (1935) (concluding that the claim was fairly

susceptible to an offered construction), and *Lake Shore & Mich. S. Ry. Co.* v. *Nat'l Car-Brake Shoe Co.*, 110 U.S. 229, 235-236 (1884) (same), with *Coupe* v. *Royer*, 155 U.S. 565, 577 (1895) (concluding that the claim was not fairly susceptible to an offered construction), and *McClain*, 141 U.S. at 425 (same). The "fairly susceptible" standard has also withstood the test of time. The Federal Circuit continues to rely on that standard, most recently applying it just last year. See *Sealant Sys. Int'l, Inc.* v. *TEK Glob., S.R.L.*, 616 Fed. App'x 987, 993 (Fed. Cir. 2015) (relying on the "fairly susceptible" standard to reject a construction in which "the patent would claim more than the patentee actually invented").

The "fairly susceptible" standard's success proves that the functionally identical broadest reasonable interpretation standard is a fitting tool for claim construction in determining unpatentability in *inter partes* review proceedings. While the *Phillips* ordinary-meaning standard certainly plays a central role in construing claims for a district court's *validity* determination, there can be no doubt, based on this Court's precedents, that the reasonableness inquiry embodied in the broadest reasonable interpretation standard is suitable for *inter partes* review.

B. The PTO has long employed the broadest reasonable interpretation standard in a variety of patent proceedings

The broadest reasonable interpretation standard has also proven to be workable in many types of PTO proceedings. That standard forms the foundation of American patent law, for the PTO applies it during the initial examination of every patent application. See *In re Prater*, 415 F.2d 1393, 1404-1405 (C.C.P.A. 1969); *In re Carr*, 297 F. 542, 543-544 (D.C. Cir. 1924). It also governs reexamination, reissue, and interference proceedings. See *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir.

1984) (reexaminations); *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A. 1981) (reissues); *Reese* v. *Hurst*, 661 F.2d 1222, 1236 (C.C.P.A. 1981) (interferences). The broadest reasonable interpretation standard applied as well in the forerunner of *inter partes* review, *inter partes* reexamination. See *Leo Pharm. Prods., Ltd.* v. *Rea*, 726 F.3d 1346, 1352 (Fed. Cir. 2013).

The broadest reasonable interpretation standard has performed ably as the PTO's core standard for decades. It has withstood the test of time, and this impressive track record—along with the PTO's familiarity with and confidence in that standard—further demonstrates its suitability for *inter partes* review.

CONCLUSION

Amici respectfully request that the judgment of the Court of Appeals be affirmed with respect to the first question presented in this case.

Respectfully submitted.

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March 2016

No. 15-446

IN THE
Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,
v.
MICHELLE K. LEE,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF DELL, ACUSHNET, ALLIANCE OF AUTOMOBILE MANUFACTURERS, APPLIED MATERIALS, ASUSTEK, BJ'S WHOLESALE CLUB, CANON, CCIA, CISCO SYSTEMS, CTIA, DEMANDWARE, DROPBOX, EBAY, FAIRCHILD SEMICONDUCTOR, GLOBAL AUTOMAKERS, GOOGLE, HPE, HTC, INTEL, THE INTERNET ASSOCIATION, JCPENNEY, L BRANDS, LIMELIGHT NETWORKS, LINKEDIN, MICRON, NATIONAL RETAIL FEDERATION, NETFLIX, NEWEGG, PEGASYSTEMS, QVC, RACKSPACE, RED HAT, RICOH, SAMSUNG, SAP, SAS, SEAGATE, SYMMETRY, TOYOTA, VARIAN, VIZIO, AND XEROX AS *AMICI CURIAE* IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

INTEREST OF *AMICI CURIAE* 1

INTRODUCTION AND SUMMARY 2

ARGUMENT 5

I. THE PTO'S STANDARD HELPS ENSURE THAT PATENTS GIVE FAIR NOTICE 6

A. Courts and the PTO Apply the Same General Claim-Construction Principles 6

B. Using the Broadest Reasonable Construction in PTO Proceedings Helps Give the Public Clear Notice of Patent Boundaries 10

1. The PTO's Rule Helps To Enforce the Notice Function of Patents 10

2. The Ability To Amend Patent Claims Ensures Fairness to Patent Holders 13

II. THE PTO'S STANDARD HELPS IT IMPROVE PATENT QUALITY 18

III. *INTER PARTES* REVIEW IS OPERATING AS CONGRESS INTENDED 22

A. The PTO Has Cancelled an Appropriate Number of Poor-Quality Patents 22

B. The PTO Has Been Very Successful in the Federal Circuit 27

IV THE PTO'S DECISION TO INSTITUTE REVIEW CANNOT BE APPEALED 28

A. The Text and Structure of § 314 Are Clear 28

B. Appeals of Determinations To Institute *Inter Partes* Review Would Run Counter to Congress's Objective of Improving Patent Quality 30

C. Mandamus Should Be Available in Extraordinary Cases 32

CONCLUSION 32

TABLE OF AUTHORITIES

Page

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35 U.S.C. § 314 .....28, 29
35 U.S.C. § 314(a) 5, 16, 18, 20, 24, 28
35 U.S.C. § 314(b) 28
35 U.S.C. § 314(d) 18, 28, 29, 30, 32
35 U.S.C. § 315(a)(1) 28
35 U.S.C. § 315(b) 28
35 U.S.C. § 315(d) 21
35 U.S.C. § 315(e) 23
35 U.S.C. § 316(a)(4) 5
35 U.S.C. § 316(a)(9) 16
35 U.S.C. § 316(a)(11) 29, 31
35 U.S.C. § 316(c) 5
35 U.S.C. § 316(d)(1)(B) 14
35 U.S.C. § 316(d)(2) 14
35 U.S.C. § 316(e) 5, 19
35 U.S.C. § 318(a) 28
35 U.S.C. § 318(b) 16
35 U.S.C. § 318(c) 17
35 U.S.C. § 319 29
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35 U.S.C. § 326(b) 13
37 C.F.R..
§ 42.20(c) 16
§ 42.100(b) 2, 5
§ 42.121(a)(2)(i) 14
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Fed. R. Civ. P 8(a)(2) 20

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Rule 37.3(a) 1

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INTEREST OF *AMICI CURIAE*[1]

Amici are technology companies, manufacturers, trade associations of Internet, automotive, computer, and communications companies, and retailers that use and sell high-tech products. We represent $7.5 trillion of market capitalization and employ many of the world's most innovative computer scientists and engineers. Most *amici* hold substantial patent portfolios and share the interest of some of petitioner's *amici* in high-quality patents that represent genuine additions to the public storehouse of knowledge – but also have a strong interest in supporting processes Congress has created to purge poor-quality patents that function only as a private tax on public innovation.

Amici file this brief to express their strong support for post-grant proceedings such as the *inter partes* review process passed by Congress and implemented by the Patent and Trademark Office ("PTO") and its Director. That process is working well to reduce patent overbreadth and eliminate invalid patents. The issues before the Court – the PTO's use of the broadest reasonable construction of claim terms, and the statutory bar on appeals of decisions to institute *inter partes* review – are important parts of that process, and *amici* urge the Court not to disturb the correct results reached by the agency and the lower courts.

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[1] Pursuant to Supreme Court Rule 37.6, counsel for *amici* represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than *amici* or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.3(a), counsel for *amici* represent that all parties have consented to the filing of this brief. Petitioner has filed a letter with the Clerk granting blanket consent to the filing of *amicus* briefs; written consent of respondent is being submitted contemporaneously with this brief.

INTRODUCTION AND SUMMARY

In creating *inter partes* review, Congress sought to provide "a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court." H.R. Rep. No. 112-98, pt. 1, at 48 (2011). New statutory tools to improve patent quality were and are urgently needed. *Amici* know from experience that poor-quality patents pose a major problem for American innovators. Among the many defects of such patents is unacceptable vagueness: claims and claim terms that can reasonably be read in more than one way and whose scope varies greatly depending on the construction they receive.

Inter partes review provides a relatively quick and cost-effective method to eliminate poor-quality patents, as an alternative to (but not an exact substitute for) district court proceedings. The PTO's rule that is challenged here looks to the "broadest reasonable construction," 37 C.F.R. § 42.100(b), of a challenged patent claim when determining its patentability. That rule plays an important role in the function of *inter partes* review. The Director's brief has ably demonstrated how the PTO's rule embodies the best interpretation of the statutory text and structure, *see* Gov't Br. 17-34, and certainly one well within the agency's interpretative leeway, *see id.* at 34-43. *Amici* focus in this brief on the policies supporting the rule and on its practical effects.

The PTO's broadest-reasonable-construction rule stands for a simple but important policy. If a challenged patent claim can reasonably be read to encompass prior art or obvious variants of prior art, the claim should not stand. If the patent holder can cure that flaw through amendment, it should; if not, the

PTO should cancel the claim. By doing so, the agency protects the principle that a "patent holder should know what he owns, and the public should know what he does not" – so that others may "pursue innovations, creations, and new ideas beyond the inventor's exclusive rights." *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 731 (2002).

Petitioner's criticisms of the PTO's rule underestimate its benefits and overstate its differences from district court claim construction. A district court and the Patent Trial and Appeal Board (the "Board") consider the same information when construing patent claims: the language of the claims, the specification that describes the invention the claims protect, the prosecution history of the patent, and other intrinsic and extrinsic materials that shed light on the claims' meaning. The difference occurs at the end of the construction process, if there is still a choice among multiple reasonable constructions of the claim language. In such situations, a district court does not necessarily pick the broadest reasonable construction; there is even authority that it should favor a narrower construction to preserve the patent's validity. By contrast, the Board adopts the broadest reasonable construction, even if that leads (absent appropriate narrowing amendments) to cancelling the patent claims. That difference is appropriate to the role of the PTO as the agency that issues patents and is responsible in the first instance for protecting the public from patents that never should have issued. It also gives patent applicants and holders a necessary incentive to make patent claims clear.

Inter partes review is working well so far. That new process has not been the radical transformation in patent law depicted by petitioner and its *amici*. During

the four-year period following Congress's creation of *inter partes* review, the PTO issued 1 million new patents; 15,000 patents were asserted in district court cases; fewer than 3,000 patents were challenged in *inter partes* review or similar proceedings; and 535 patents had one or more of their claims cancelled.[2] If anything, the PTO should be doing more. The rates at which the PTO institutes *inter partes* reviews and cancels patent claims are flattening or dropping over time, suggesting (as one would expect) that initial cases focused on the weakest patent claims. The Board's decisions have also had high affirmance rates in the Federal Circuit, showing that the agency is making careful decisions.

The Director is also correct on the second question presented, which concerns whether a disappointed patent holder can appeal the agency's determination whether to institute an *inter partes* review. The statute is clear that such a determination is final and non-appealable. *See* Gov't Br. 44-50. Petitioner's attempts to read it otherwise lack merit. Institution determinations should be reviewable only by mandamus.

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[2] Through the end of 2015, the PTO reached final decisions in 714 petitions for *inter partes* review or similar covered business method review, regarding 597 patents. Those decisions cancelled one or more challenged claims in 535 patents. *See* https://ptabtrials.uspto.gov (collecting decisions).

ARGUMENT

The America Invents Act ("AIA") defines certain characteristics of the new *inter partes* review procedure it creates, but not others. For example, it establishes certain specific grounds for "cancel[ling]" a patent "as unpatentable" – only grounds "under [35 U.S.C. §§] 102 or 103," and only "on the basis of prior art consisting of patents or printed publications." 35 U.S.C. § 311(b). It provides a threshold standard for initiating the review: "a reasonable likelihood that the petitioner would prevail" at least in part. *Id.* § 314(a). It authorizes the "Patent Trial and Appeal Board," in particular, to "conduct each inter partes review." *Id.* § 316(c). It directs that an *inter partes* review petitioner "ha[s] the burden of proving a proposition of unpatentability by a preponderance of the evidence," *id.* § 316(e), rather than by clear and convincing evidence as would be required in district court. It does not, however, expressly prescribe a claim-construction standard for the Board to use.

Exercising her broad authority to "prescribe regulations" "establishing and governing inter partes review," *id.* § 316(a)(4), the Director has adopted a regulation under which the Board gives "[a] claim in an unexpired patent its broadest reasonable construction in light of the specification of the patent in which it appears," 37 C.F.R. § 42.100(b). Her brief ably shows that is the best reading of the statute, *see* Gov't Br. 17-34, and certainly a reasonable one that deserves judicial deference, *see id.* at 34-43. This brief, drawing from *amici*'s experience as patent holders, patent challengers, and participants in PTO proceedings, focuses on the substantial reasons supporting the Director's determination that § 42.100(b) serves her mandate to promote innovation.

I. THE PTO'S STANDARD HELPS ENSURE THAT PATENTS GIVE FAIR NOTICE

The broadest-reasonable-construction standard ensures that patents give fair notice of the inventions that they seek to remove from the public domain – that is, inventions as to which a potential maker, user, or seller might reasonably expect to face an infringement action. To achieve that result, the PTO applies the same general principles that a district court would apply in construing the same claim. The difference is that, if those principles lead to more than one reasonable construction, the PTO picks the broader alternative. By doing so, the agency's review of a patent captures all reasonable readings that the patent holder might later adopt when seeking to enforce that patent or that an innovator might consider when seeking to avoid infringement.

A. Courts and the PTO Apply the Same General Claim-Construction Principles

The Federal Circuit's en banc decision in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), sets out the modern claim-construction framework. The touchstone of claim construction is "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention." *Id.* at 1313. Where the meaning of the claim itself is "not immediately apparent," courts look to intrinsic sources such as "'the words of the claims themselves, the remainder of the specification, [and] the prosecution history,'" and "'extrinsic evidence concerning relevant scientific principles, the meaning of technical terms, and the state of the art.'" *Id.* at 1314 (citation omitted). The use of intrinsic materials such as the specification and prosecution history to shed light on claim terms is well grounded in decisions of this

Court;[3] as *Phillips* further noted, such intrinsic sources are generally more "reliable" than extrinsic ones. *Id.* at 1318.

The PTO determines "the broadest reasonable meaning of the words in their ordinary usage as they would be understood by one of ordinary skill in the art." *In re Morris*, 127 F.3d 1048, 1054-55 (Fed. Cir. 1997). It "tak[es] into account whatever enlightenment by way of definitions or otherwise may be afforded by the written description contained in the applicant's specification," *id.*, just as a court would do. The Federal Circuit has repeatedly confirmed that, whether a court or the PTO is reading claims, they "should always be read in light of the specification and teachings in the underlying patent." *In re Suitco Surface, Inc.*, 603 F.3d 1255, 1260 (Fed. Cir. 2010); *see also Phillips*, 415 F.3d at 1316-17 (noting that courts rely on the specification in part because the agency does so when it issues a patent).[4] The PTO also considers

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[3] *See United States v. Adams*, 383 U.S. 39, 48-49 (1966) ("While the claims of a patent limit the invention, and specifications cannot be utilized to expand the patent monopoly, it is fundamental that claims are to be construed in the light of the specifications and both are to be read with a view to ascertaining the invention.") (citations omitted); *Graham v. John Deere Co.*, 383 U.S. 1, 33 (1966) ("[A]n invention is construed not only in the light of the claims, but also with reference to the file wrapper or prosecution history in the Patent Office.").

[4] *See also TriVascular, Inc. v. Samuels*, 812 F.3d 1056, 1062 (Fed. Cir. 2016) ("Construing individual words of a claim without considering the context in which those words appear is simply not 'reasonable.' Instead, it is the 'use of the words in the context of the written description and customarily by those of skill in the relevant art that accurately reflects both the "ordinary" and "customary" meaning of the terms in the claims.' ") (citation omitted); *In re NTP, Inc.*, 654 F.3d 1279, 1288 (Fed. Cir. 2011) (the "broadest reasonable construction cannot be divorced from

a patent's prosecution history in determining reasonable claim constructions. *See* Gov't Br. 35 n.8.[5]

A reviewing court will not accept a construction that is "unreasonably broad," *Suitco*, 603 F.3d at 1260, in light of the claims, specification, and prosecution history *See also* Manual of Patent Examining Procedure § 2111 (9th ed. rev. Nov. 2015) ("The broadest reasonable interpretation does not mean the broadest possible interpretation."). In the rare cases where the PTO has exceeded the bounds of reasonableness, the Federal Circuit has said so. *See, e.g., PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, No. 2015-1364, 2016 WL 692369, at *2 (Fed. Cir. Feb. 22, 2016) (holding that the PTO's construction of one claim term was unreasonable under any standard); *Proxyconn*, 789 F.3d at 1298-1300 (same).

Petitioner's attempt to characterize construction by a court as fundamentally different from construction by the PTO under the broadest-reasonable-construction standard – *see, e.g.*, Br. 17 (describing judicial construction as "what claims *actually* mean" and construction by the PTO as "what they hypo-

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the specification and the record evidence"); *Rowe v. Dror*, 112 F.3d 473, 480 (Fed. Cir. 1997) (giving claims "their broadest reasonable meaning does not relieve the PTO of its essential task of examining the entire patent disclosure to discern the meaning of claim words and phrases").

[5] *See also, e.g., Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015) ("The PTO should also consult the patent's prosecution history in proceedings in which the patent has been brought back to the agency for a second review."); *Tempo Lighting, Inc. v. Tivoli, LLC*, 742 F.3d 973, 977 (Fed. Cir. 2014) ("[T]he prosecution history, while not literally within the patent document, serves as intrinsic evidence for purposes of claim construction. This remains true in construing patent claims before the PTO.").

thetically *might* mean") – is thus misguided. Both procedures are governed by the same "general claim construction principles." *Proxyconn*, 789 F.3d at 1298. They reach different results only where those of skill in the art, having read the claims, the specification, the prosecution history, and relevant prior art, might reasonably disagree about the scope of a patent's claim. In such close cases, courts do not favor the broader construction; there is even authority that they should break ties in favor of a narrower construction. *See Phillips*, 415 F.3d at 1327-28 (discussing *Klein v. Russell*, 86 U.S. (19 Wall.) 433, 466 (1874), and the "doctrine of construing claims to preserve their validity"); *see also* Gov't Br. 19, 28. The PTO, by contrast, adopts the broadest reasonable construction, which may require the patent owner to narrow claims or face a stronger challenge to patentability.

There are good reasons – grounded in the particular institutional roles of courts and agencies – for that difference in approach. A generalist court considers the validity of a patent after taking into account that the patent has already been granted by an agency. It must "presume[], until the contrary is made to appear, that the commissioner did his duty correctly in granting [a] patent." *Klein*, 86 U.S. (19 Wall.) at 463. The PTO, by contrast, has the "specific authority and expertise" in patent law needed to determine whether a patent should initially be granted. *Kappos v. Hyatt*, 132 S. Ct. 1690, 1696 (2012). This "special expertise in evaluating patent applications," *id.* at 1700, means that the agency also has the expertise to later "reconsider its own decisions" from a fresh perspective if necessary, according to procedures established by Congress. *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1291 (Fed. Cir. 2015). The agency

is also better able than is a court to consider the interest of the public in whether to grant, deny, or cancel patent claims. Especially relevant here is the public interest in clear notice of patent boundaries, which the agency's claim-construction approach protects.

B. Using the Broadest Reasonable Construction in PTO Proceedings Helps Give the Public Clear Notice of Patent Boundaries

1. The PTO's Rule Helps To Enforce the Notice Function of Patents

The Patent Act "attempts to maintain" a "delicate balance between inventors, who rely on the promise of the law to bring the invention forth, and the public, which should be encouraged to pursue innovations, creations, and new ideas beyond the inventor's exclusive rights." *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 731 (2002). The requirement that "inventors describe their work in 'full, clear, concise, and exact terms,'" *id.* (quoting 35 U.S.C. § 112(a)), is a key part of that balance. *See id.* at 730-31 ("[C]larity is essential to promote progress, because it enables efficient investment in innovation. A patent holder should know what he owns, and the public should know what he does not."); *see also* Fed. Trade Comm'n, *The Evolving IP Marketplace* 75 (Mar. 2011) ("[n]otice promotes the invention, development, and commercialization of innovative products"). The PTO, whose mandate is to promote innovation, must give fair weight to both sides of the statutory balance.

When the bounds of a patent claim are susceptible to more than one reasonable reading, a "'zone of uncertainty'" exists "'which enterprise and experimentation may enter only at the risk of infringement claims.'" *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014) (quoting *United Carbon*

Co. v. Binney & Smith Co., 317 U.S. 228, 236 (1942)). Some uncertainty is unavoidable, because of the limits of language: the Patent Act's "definiteness requirement mandates clarity, while recognizing that absolute precision is unattainable." *Id.*, *see also Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 839 (2015) (noting that "divergent claim construction stemming from divergent findings of fact [may] occur"). Nevertheless, clear lines are the goal, and patents that fall short of drawing such lines burden the parties and courts that must construe them – and, more importantly, the public generally.

Unclear patents are too common. From mid-2005 to 2011, the Federal Circuit disagreed with a district court's construction of at least one claim term in 29.5% of appeals involving claim construction.[6] A more recent review shows complete reversals on 31% of claim-construction issues presented during the 2014-2015 term, and partial reversals in an additional 19%.[7] During that same Federal Circuit term, patent holders won only 38% of claim-construction issues.[8] Thus, at least at the appellate level, litigation over ambiguity most often involves a patent holder's incorrect (whether or not reasonable) reading of its own patent.

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[6] *See* J. Jonas Anderson & Peter S. Menell, *Informal Deference: A Historical, Empirical, and Normative Analysis of Patent Claim Construction*, 108 Nw. U. L. Rev. 1, 40 (2014). That is an improvement: from 2001 to mid-2005, such disagreements occurred in 40.6% of claim-construction appeals. *See id.*

[7] *See* Gibson, Dunn & Crutcher LLP, *Federal Circuit Year in Review: 2014/2015*, at 9, http://www.gibsondunn.com/publications/Documents/Federal-Circuit-2014-2015-Year-in-Review.pdf.

[8] *See id.* at 6. Another 16% of claim-construction issues were won in part by one party and in part by the other. *See id.*

The PTO's longstanding practice of looking at the broadest reasonable construction of patent claims is designed to ensure that patents are clear and that patent holders have an incentive to make them clear. As the Director explains (at 18-20), the agency has given claims under examination "the broadest interpretation they will support" for more than a century, *Podlesak v. McInnerney*, 1906 Dec. Comm'r Pat. 265, 268, and has applied that standard in other contexts including *ex parte* reexamination, *inter partes* reexamination (the direct precursor to *inter partes* review), interference proceedings, and reissue proceedings, *see* Gov't Br. 20-22; *see also* Pet. App. 32a-34a.

The PTO's approach properly places on the patent applicant or owner the "burden of precise claim drafting," *Morris*, 127 F.3d at 1056, so as to promote the "public interest" in "reducing the possibility that claims, finally allowed, will be given broader scope than is justified." *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). As this Court has recognized, those drafting patents "face powerful incentives to inject ambiguity into their claims," and the patent system needs rules to "[e]liminat[e] that temptation." *Nautilus*, 134 S. Ct. at 2129. Congress had these incentives in mind when it devised the *inter partes* review procedure. *See* 157 Cong. Rec. S1375 (Mar. 8, 2011) (Sen. Kyl) (explaining that a provision allowing the PTO to review documents filed by the patentee in district court would "allow the Office to identify inconsistent statements made about claim scope – for example, cases where a patent owner successfully advocated a claim scope in district court that is broader than the 'broadest reasonable construction' that he now urges in an inter partes review").

The PTO's use of the broadest reasonable construction reflects a policy decision that the PTO should not issue patent claims that can reasonably be construed to encompass the earlier inventions of others; and, if the PTO later finds it has issued such a claim, it should permit narrowing of the claim or cancel it. That approach not only is within the agency's leeway to interpret the statute, but also promotes innovation outside the patent's bounds.

2. The Ability To Amend Patent Claims Ensures Fairness to Patent Holders

Placing the burden of clarity on patent holders is also fair to the holders themselves.[9] *See Nautilus*, 134 S. Ct. at 2129 ("'[T]he patent drafter is in the best position to resolve the ambiguity in patent claims.'") (quoting *Halliburton Energy Servs., Inc. v. M-I LLC*, 514 F.3d 1244, 1255 (Fed. Cir. 2008)) (alteration in

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[9] For a number of the *amici* supporting petitioner, their position in this Court is a change from what they originally urged the PTO to do. In comments to the PTO following enactment of the AIA, representatives of major patent holders including 3M, Johnson & Johnson, Abbott Laboratories, GlaxoSmithKline, and Pfizer proposed that new rules governing *inter partes* review should continue using the PTO's "existing rules for contested cases As is the case currently in [contested PTO] proceedings, in the new proceedings the standard for claim construction shall be the 'broadest reasonable construction.'" Comments and Proposed Regulations of the Committee Appointed by the ABA IPL, AIPLA and IPO Relating to Post-Grant Review, Inter Partes Review and Transitional Program for Covered Business Method Patents Under the Leahy-Smith America Invents Act at 12 (Nov. 18, 2011), http://www.uspto.gov/sites/default/files/patents/law/comments/x_aia-a_abaaiplaipo_20111118.pdf. Those commenters also cited the statutory delegation of rulemaking powers to the Director as supporting application of the broadest-reasonable-construction standard. *Id.* at 58 (citing 35 U.S.C. § 326(a)(2), (b)).

original). The patent holder (or its predecessor) controls the initial drafting and can amend at will during that process. It can also initiate reissue proceedings to amend if it discovers an error that affects patentability, *see* 35 U.S.C. § 251, such as if a patent has inadvertently been drafted to claim too much subject matter.

Even during an *inter partes* review proceeding, where the rights of a specific opposing party are at stake, the patent holder can amend to "propose a reasonable number of substitute claims," *id.* § 316(d)(1)(B), so long as the amendment "respond[s] to a ground of unpatentability involved in the trial," 37 C.F.R. § 42.121(a)(2)(i). And the PTO permits additional motions to amend a claim for good cause. *See id.* § 42.121(c); *see also* 35 U.S.C. § 316(d)(2) ("[a]dditional motions to amend may be permitted" to facilitate settlements "or as permitted by regulations prescribed by the Director"). Thus, the patent holder has the opportunity to narrow its claims to remove any construction the PTO might adopt that covers ground the holder does not actually intend to claim. Where the patent holder does not have that opportunity (because the patent has expired and cannot be amended), the agency will not apply the broadest-reasonable-construction standard. *See* Gov't Br. 22 & n.3.

Petitioner and some *amici* complain that Congress and the Board have not been sufficiently generous with amendments during *inter partes* review. Pet. Br. 29-31. For example, *amicus* IBM, although supporting the broadest-reasonable-construction standard in principle, contends that the Board's "practice" at present makes it "difficult for patentees to amend claims successfully during *inter partes* review." IBM Br. 17. Among other things, IBM objects to the requirement

that a patent holder must "'persuade the Board that [a] proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner.'" *Id.* at 18 (quoting *Idle Free Sys., Inc. v. Bergstrom, Inc.*, Case IPR2012-00027(JL), 2013 WL 5947697, at *4 (P.T.A.B. June 11, 2013)). Those criticisms of amendment practice before the Board are irrelevant to this case; and, regardless, the Board's practice is reasonable.

First, the standard for permitting amendments is not under review. *See* Gov't Br. 27. The availability of amendment as a statutory matter is relevant because it reinforces the point that *inter partes* review is an administrative proceeding similar to reissue, interference, or the old *inter partes* reexamination process, and it shows that Congress would have had in mind existing precedent about claim-construction standards in such proceedings. *See id.* at 20-22. But the standard under which the Board permits amendment is not similarly relevant. If the Board were being unduly strict about amendments, that standard could be clarified by the Federal Circuit (or ultimately by this Court) in a case where it mattered.[10]

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[10] Likewise, the PTO's choice to develop its claim amendment practice initially through case-by-case adjudications rather than through rulemaking, *see* IBM Br. 19, is not under review. Normally, an agency's "choice between rulemaking and adjudication lies in the first instance within the [agency's] discretion." *NLRB v. Bell Aerospace Co. Div. of Textron Inc.*, 416 U.S. 267, 294 (1974). The PTO nonetheless has "committed" to "continue to make improvements and clarifications via the rule-making process, by updating the Office Patent Trial Practice Guide, and by designating opinions as precedential or informative, as warranted." Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50,720, 50,722-23 (Aug. 20, 2015) ("Board Rule Amendments").

Second, the Board's practice of requiring a patent holder to bear the burden of persuasion in seeking to demonstrate that its proposed amendment will cure the identified problems with its patent, *see Idle Free*, 2013 WL 5947697, at *4, is hardly "extraordinary," IBM Br. 19. Placing the burden on the patent holder is in line with the statutory requirements that the patent holder must "move to amend the patent," 35 U.S.C. § 316(a)(9), and that the Director shall incorporate only those amended claims that are "determined to be patentable," *id.* § 318(b). It is also consistent with the general rule that "[t]he moving party has the burden of proof to establish that it is entitled to the requested relief." 37 C.F.R. § 42.20(c).

When *inter partes* review begins, the challenger to a patent has already established a "reasonable likelihood" that the Board will cancel the challenged patent claims. 35 U.S.C. § 314(a); *see infra* pp. 18-19. Once the challenger has met that initial burden and the PTO has instituted review, it makes sense to ask the patent holder to provide some affirmative reason to think that its substitute claims are patentable despite the apparent unpatentability of its original ones. There is no opportunity for separate PTO examination of newly proposed substitute claims in these proceedings. *See* Board Rule Amendments, 80 Fed. Reg. at 50,723, 50,724. The challenger, similarly, may have no interest in resisting the proposed substitute claims (if, for example, the amendment sufficiently protects that particular challenger). If the burden were not on the patent holder, an amended patent could issue despite known prior art showing the amended claims are unpatentable. *See Proxyconn*, 789 F.3d at 1307-08.

Third, the fact that relatively few amendments have been made or granted to date can also be explained by

incentives to amend sparingly. One reason a patent holder may be reluctant to amend to cure overbreadth is that it may be depending on a broad reading of the patent claim to establish infringement in parallel or contemplated infringement proceedings. In such circumstances, patent holders may make a tactical choice to risk the whole claim rather than narrow it to cover only what is patentable, or may attempt a narrowing that the Board ultimately finds does not go far enough to cure the problem.

A patent holder may also be reluctant to use the amendment process because that would open the door to claims of intervening rights by alleged infringers. Section 318(c) provides that an amendment during *inter partes* review "shall have the same effect as that specified in section 252 for reissued patents" on the rights of those who made, purchased, or used the patented invention before the Board's final written decision. 35 U.S.C. § 318(c). Section 252, in turn, provides that – subject to certain limitations – reissued patents "shall not abridge or affect the right" of others to make, use, or sell the patented technology. *Id.* § 252. Thus, where a patent holder is already asserting a patent in litigation against past alleged infringers, it may be reluctant to propose an amendment that might give up its rights against them. But that is the result that Congress prescribed for amendment of unpatentable claims in *inter partes* review and similar proceedings. That some patent holders dislike Congress's rule is not a valid criticism of the Board.

Fourth, and finally, amendment during an *inter partes* review is not a patent holder's first chance to draft clear claims. It is a last chance after several others. *See supra* pp. 13-14. If after those multiple opportunities a patent claim still has a reasonable

reading under which it fails scrutiny, it is fair for the Board to conclude that the patent holder does not truly desire a patentably narrower claim.

II. THE PTO'S STANDARD HELPS IT IMPROVE PATENT QUALITY

Congress created *inter partes* review "to ensure that the poor-quality patents can be weeded out through administrative review," 157 Cong. Rec. S5409 (Sept. 8, 2011) (Sen. Schumer), and to serve as "a cheaper, quicker, better alternative to resolve questions of patentability" as opposed to "costly litigation in Federal court," *id.* at H4495 (June 23, 2011) (Rep. Smith). The PTO's approach of looking to the broadest reasonable construction of unclear claim terms furthers those goals in several ways.

1. Several characteristics of the *inter partes* review proceeding confirm that Congress intended it specifically to target poor-quality patents. The PTO's adoption of the broadest-reasonable-construction standard harmonizes with those characteristics.

First, the AIA creates a formidable screening mechanism before review is instituted. *Inter partes* review requires a preliminary finding by the Director of a "reasonable likelihood" that the petitioner will prevail as to at least one claim. 35 U.S.C. § 314(a). The petitioner must establish that likelihood "on the basis of prior art consisting of patents or printed publications," *id.* § 311(b), a relatively narrow set of easily accessible materials. If the Director does not agree that the petitioner has a reasonable likelihood of success, her refusal to institute a proceeding is "final and nonappealable." *Id.* § 314(d). Those provisions show that Congress intended the agency to take a relatively quick initial look at the merits and to limit *inter partes* review to situations where that look raises serious

doubts about whether the patent should ever have been granted.

Second, after that initial threshold showing is made, *inter partes* review subjects the challenged claims to thorough scrutiny. Although in district court the invalidity of a patent must be established by clear and convincing evidence, before the Board it may be established by a preponderance of the evidence. *Id.* § 316(e). That evidentiary standard indicates that patents undergoing *inter partes* review should not have the presumption of validity that they would receive in a district court challenge. *Cf. Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2246 (2011) (noting that the requirement for proof of invalidity by "clear and convincing evidence" is part of the traditional presumption of validity).

The broadest-reasonable-construction standard makes sense at both stages of the process. During the initial look, an important ambiguity in the patent is a useful indication that it may be a poor-quality patent that warrants review. During the later thorough scrutiny of the patent, using the broadest reasonable construction of the patent accords with Congress's indication in § 316(e) that the Board should not engage in extraordinary efforts to save a challenged patent, as might a district court. It is not the responsibility of the PTO or the Board to search for a narrower construction to save the patent; it is up to the patent holder to propose an amendment to cure the problem, if the problem can be cured.

2. Petitioner contends (at 26, 33) that, because Congress intended *inter partes* review to serve as a "substitute for district court adjudication," the PTO is bound to avoid "validity decision[s] regarding the same invention" that are "different" from those a court

would reach. Nothing in the statutory text indicates that *inter partes* review is meant to serve as a completely identical "substitute" for district court litigation.[11] On the contrary, Congress contemplated that the Board could reach different results from a district court in several ways – some that favor patent holders, and some that favor challengers. There is no plausible way to read the statute to mandate that all cases must come out alike, regardless of forum, and there is no reason to expect they should.

First, the PTO's initial look at a petitioner's "reasonable likelihood" of success under § 314(a) has no parallel in district court. A claim of invalidity in federal court must be supported only by a "short and plain statement of th[at] claim," Fed. R. Civ. P 8(a)(2), and "may proceed even if it strikes a savvy judge that actual proof of th[e] facts [pleaded] is improbable, and 'that a recovery is very remote and unlikely.'" *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 556 (2007) (quoting *Scheuer v. Rhodes*, 416 U.S. 232, 236 (1974)). Thus, some challenges that the PTO would initially have rejected as unlikely can proceed (and potentially prevail) in court.

Second, entire categories of challenges to a patent are unavailable in an *inter partes* review but permitted in district court. A challenger in an *inter partes* review can assert only challenges under 35 U.S.C. § 102 or § 103. A district court can hear other kinds

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[11] As petitioner acknowledges (at 31-32), *inter partes* review replaced a different administrative procedure, *inter partes* reexamination. *See* H.R. Rep. No. 112-98, at 46-47. Although Congress made changes to that procedure to make it more adversarial, there is no reason to think Congress expected the new procedure to be completely unlike its predecessor and completely like district court litigation.

– for example, an argument that a claim is fatally indefinite under § 112(b).

Third, Congress's restriction of prior art considered in *inter partes* review proceedings to "patents or printed publications," 35 U.S.C. § 311(b), means that some challenges even under § 102 or § 103 will be impossible to bring before the Board. In court, a challenger may introduce as prior art not only anything that was "patented[or] described in a printed publication," but also anything that was "in public use, on sale, or otherwise available to the public" at the relevant time. *Id.* § 102(a)(1). Petitioner's assertion that Congress "intended that the Board and district courts would reach a consistent result based on the same pool of potential prior art," Br. 31, is wrong.

Fourth, the different evidentiary burden makes patents easier to challenge before the Board once the initial hurdles are passed. Congress's refusal to accord patents the presumption of validity that a court would apply shows that Congress viewed *inter partes* review as akin to the agency's reevaluating its own work, as it would do in a reexamination or reissue proceeding. *Cf. Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (describing the purpose of reexamination as, "if need be[,] to remove patents that should never have been granted"), *modified on other grounds on reh'g*, 771 F.2d 480 (Fed. Cir. 1985). In conducting such a reevaluation, it makes sense that the agency would apply the same claim-construction standard that its examiners applied in the original proceeding.[12]

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[12] Congress also authorized the Director to consolidate *inter partes* review with concurrent PTO proceedings involving the same patent. *See* 35 U.S.C. § 315(d). As the Director observes (at 42-43), that authorization indicates Congress anticipated that the PTO would use the same claim-construction standard for

Congress's specification of an evidentiary burden also shows that, where Congress meant to impose procedural or evidentiary rules to govern proceedings before the Board and constrain the agency's discretion, it did so expressly. The absence of language selecting a particular claim-construction standard is therefore a strong reason to conclude – at a minimum – that Congress has "not directly addressed the precise question at issue," *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 843 (1984), and that the Director's reasonable interpretation warrants deference. *See* Gov't Br. 41-43.

III. *INTER PARTES* REVIEW IS OPERATING AS CONGRESS INTENDED

A. The PTO Has Cancelled an Appropriate Number of Poor-Quality Patents

1. If the PTO and the Board had been cancelling socially valuable, high-quality patents, petitioner and its *amici* would come forward with examples. They cannot. Consider the brief of PhRMA, the voice of the country's largest pharmaceutical and biotechnology companies, which are generally thought to own many of the highest-value U.S. patents. Its lone example (at 20-22) of an *inter partes* petition that threatened a patent for a socially beneficial drug involves a petition filed against a patent for Allergan eye drops. As PhRMA observes, the PTO declined even to institute the *inter partes* review.[13] A case that the patent

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inter partes review as for other administrative proceedings; the efficiency of consolidation would be reduced if the PTO applied different constructions to the same claims in the same proceeding.

[13] *See Ferrum Ferro Capital, LLC v. Allergan Sales, LLC*, Case IPR2015-00858, 2015 WL 5608290 (P.T.A.B. Sept. 21, 2015).

holder won anyway does not make a very effective parade of horribles.

With no meaningful examples of any problem created by the PTO's rule, petitioner and its *amici* instead fall back on statistics. For example, they argue that the Board is cancelling patent claims at an unacceptably high rate because, at year-end 2015, 87% of completed *inter partes* reviews had resulted in at least one claim being cancelled, *see* Pet. Br. 34, as compared to a 42% success rate for invalidity challenges in district court, *see* PhRMA Br. 19. But the statistics petitioner and its *amici* proffer are misleading because they ignore a number of factors, including substantial incentives to challenge only weak patents and the screening function of the PTO's initial, discretionary decision whether to institute an *inter partes* review.

2. Patents challenged in *inter partes* review are likely to be weak ones – or, at least, ones that a challenger believes to be weak. Although less expensive than district court litigation, an *inter partes* petitioner must pay fees estimated to cover the PTO's cost of the proceeding (in addition to its own legal and expert fees that, in *amici's* experience, often are hundreds of thousands of dollars per petition).[14] Seeking review also creates a risk of estoppel. *See* 35 U.S.C. § 315(e) (barring a petitioner that receives a "final written decision under section 318(a)" from asserting invalidity in a district court action or before the International Trade Commission "on any ground that the petitioner raised or reasonably could have raised during that

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[14] *See* Am. Intell. Prop. L. Ass'n, *2015 Report of the Economic Survey* 38 (June 2015) (estimating costs of $200,000 to $350,000 per *inter partes* review), http://files.ctctcdn.com/e79ee274201/b6ced6c3-d1ee-4ee7-9873-352dbe08d8fd.pdf.

inter partes review"). Bringing anything but strong cases to the PTO for *inter partes* review thus increases the likelihood of a later bad result.

The PTO is also more likely to institute review (after a quick look at the merits under § 314(a)) of weak patents. To date, the PTO has declined to institute *inter partes* review on nearly half of the petitions it has received. *See infra* p. 25. High success rates for challengers in instituted cases should be unsurprising – and certainly does not suggest a failure of the process – given that the PTO has already rejected a very substantial number of dubious petitions.

3. A reasonable assessment of the numbers does not support the exaggerated concerns expressed by petitioner and its *amici*. There were nearly 3 million patents in force in the United States in 2015.[15] Only a small fraction of those patents are ever litigated in any forum: about 15,000 patents have been asserted in district court actions in the four years following the enactment of the AIA. *See* RPX Corp., *A Closer Look at Claim Construction in IPR and CBM* 4 (2016) ("*Closer Look*").[16] During that same period, 2,758 patents have been challenged by either a petition for *inter partes* review or a petition under the PTO's related covered-business-methods program. *See id.*

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[15] *See* World Intell. Prop. Org., *Statistical Country Profiles: United States* (last updated Dec. 2015) (approximately 2.5 million patents in force in the United States in 2014), http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=US. Nearly 300,000 more U.S. patents issued in 2015. *See* Patently-O, *Patent Grants 2015* (Jan. 13, 2016), http://patentlyo.com/patent/2016/01/patent-grants-2015.html.

[16] https://www.rpxcorp.com/wp-content/uploads/sites/2/2016/03/FinalZ-RPX-White-Paper-Claim-Construction-IPR-CBM-3-10-16-950-AM.pdf.

A significant number of those petitions (41%) did not lead to the institution of any review, and another significant fraction (14%) led to the institution of review as to only some challenged claims. *See id.* at 7. Of those that led to an institution, a significant number (28%) settled or otherwise terminated before a final written decision. *See id.* Taking all factors into account, the PTO has cancelled one or more patent claims in only 43% of completed *inter partes* reviews. *See id.* In summary, only one-tenth of one percent of all existing patents have been challenged; new district court assertions exceed review petitions by more than five to one; and the PTO is cancelling any claims at all in fewer than one in two challenges. Petitioner's 87% figure is not a reasonable description of the situation.

The results for patent holders are even more favorable when broken down claim-by-claim rather than patent-by-patent. The PTO reports that 36,872 claims were challenged within the 2,447 petitions filed that have been completed. *See* PTO, *Patent Trial and Appeal Board Statistics 12/31/2015*, at 12.[17] The Board instituted review of 15,987 claims and found 7,778 claims unpatentable in final written decisions – a claim-invalidation rate of only 21% when measured against the 36,872 claims actually challenged. *See id.*

A better comparison would look at the results from *inter partes* review and covered-business-method review versus the Board's *own* decisions applying the *Phillips* standard (which it uses for expired patents that can no longer be amended). Similar percentages of reviews are instituted, *see Closer Look* 8 (78% under broadest-reasonable-construction standard, 70% under *Phillips*); similar percentages of completed trials lead

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[17] http://www.uspto.gov/sites/default/files/documents/2015-12-31%20PTAB.pdf.

to the cancellation of at least some patent claims, *see id.* (89% under broadest-reasonable-construction standard and 97% under *Phillips*). To be clear, the standard makes a difference in some cases, *see, e.g.*, *PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, Nos. 2015-1361 et al., 2016 WL 692368, at *4 (Fed. Cir. Feb. 22, 2016) (noting one such instance and suggesting there will be others), and there are reasons to be cautious about inferences from the limited available data.[18] Nevertheless, based on those data, claims of a "nearly threefold" difference in patent-invalidation rates based on the broadest-reasonable-construction standard, Intellectual Ventures Mgmt. Br. 12 & n.3, do not deserve credence.

4. Finally, the rates at which petitioners seek *inter partes* review have begun to flatten out or decline. *See* PTO, *Patent Trial and Appeal Board Statistics 4/30/15*, at 3 (graphing number of petitions filed by month, from September 2012 to April 2015);[19] PTO, *Patent Trial and Appeal Board Statistics 2/29/16*, at 4 (same, from February 2014 to February 2016).[20] Similarly, the proportion of petitions on which the PTO institutes review has fallen steadily since early 2013.[21] The PTO has also become more selective in

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[18] The sample size is small, and the populations being compared are not identical. *See Closer Look* 8.

[19] http://www.uspto.gov/sites/default/files/documents/2015-04-30%20PTAB.pdf.

[20] http://www.uspto.gov/sites/default/files/documents/2016-2-29%20PTAB.pdf.

[21] *See* RPX Blog, *Rising and Falling: IPRs at Institution*, Fig. 1 (Oct. 19, 2015), http://www.rpxcorp.com/2015/10/19/rising-and-falling-iprs-at-institution/; *see also id.* Fig. 3 (showing a declining percentage of cases in which the Board institutes *inter partes* review, from 100% initially to closer to 50% by mid-2015).

the claims as to which it institutes review, choosing more often to review only some of the claims in a patent.[22] Petitioner's description of *inter partes* reviews as "proliferati[ng]," Br. 34, is unfounded.

B. The PTO Has Been Very Successful in the Federal Circuit

Another sign that the *inter partes* review process has been operating as intended is the Board's high success rate in the Federal Circuit – including many cases where there was no question about claim construction, and so the broadest-reasonable-construction standard played no role. As of March 28, 2016, there have been 81 merits appeals decided on *inter partes* review determinations, 50 by summary affirmance and 31 by written opinion.[23] Only 11 decisions did not fully affirm the agency decisions.[24] The agency's overall affirmance rate (86.4%) compares favorably to historical district court affirmance rates when construing claims under the *Phillips* framework (70.5%, *see supra* note 6). That reinforces the conclusion that much of the Board's initial *inter partes* caseload has involved decidedly bad patent claims that should never have issued in the first place.

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[22] *See Closer Look* 9, chart 6 (showing relative increase in partial institutions over time: in early 2013, 8% of outcomes were partial institutions compared to 84% that were full institutions; in late 2015, 17% compared to 50%).

[23] *See* Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, "IPR FWD-Appealed," http://www.aiablog.com/inter-partes-review-ipr; Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, "IPR FWD-Appealed (Rule 36 Judgment)," http://www.aiablog.com/rule-36-judgments-iprs. The 31 written opinions do not include (1) appeals that were dismissed for reasons unrelated to the Board's final decision or (2) the denial of rehearing en banc in this case.

[24] *See id.*

IV. THE PTO'S DECISION TO INSTITUTE REVIEW CANNOT BE APPEALED

Congress has spoken directly to the question whether the Federal Circuit can hear an appeal from the PTO's decision to institute an *inter partes* review: "The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. § 314(d).[25] That bar on review by way of appeal of the determination to institute (or not to institute – the bar cuts both ways) is clear.

A. The Text and Structure of § 314 Are Clear

As explained in Part II, *supra*, *inter partes* review involves a two-stage process. In the first stage, the Board takes a quick look at the merits to decide whether a petition for *inter partes* review is reasonably likely to succeed. *See* 35 U.S.C. § 314(a). The Board also considers at this stage whether the petition is procedurally barred.[26] It may take up to three months to complete the institution decision. *See id.* § 314(b). If the Board decides not to institute a review, the process ends there. If it decides to institute a review, the Board conducts a searching review to determine whether the challenged patent claims should be cancelled, culminating in a "final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added" by amendment during the *inter partes* process. *Id.* § 318(a). The Board may take up to a year to

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[25] Section 314(a) empowers the Director to institute *inter partes* review, and she has delegated her authority to the Board. *See Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1030-33 (Fed. Cir. 2016) (upholding delegation).

[26] *See* 35 U.S.C. § 315(a)(1), (b) (setting forth bars based on certain prior proceedings in district court).

make its final written decision, and that period may be extended by six months for good cause. *See id.* § 316(a)(11).

Under that statutory structure, "'institution and invalidation are two distinct actions.'" *Achates Reference Publ'g, Inc. v. Apple Inc.*, 803 F.3d 652, 656 (Fed. Cir. 2015) (quoting *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1319 (Fed. Cir. 2015), *petition for cert. pending*, No. 15-1145 (U.S. filed Mar. 11, 2016)), *cert. dismissed*, 136 S. Ct. 998 (2016). The Board's decision as to institution becomes "final and nonappealable," 35 U.S.C. § 314(d), when made. Its final written decision as to patentability may be appealed under § 319. It would be contrary to Congress's direction to permit an appeal under § 319 from a final written decision to incorporate a challenge to an institution determination under § 314.

Petitioner argues (at 46) that § 314(d) bars merely "interlocutory" appeals of a determination to institute an *inter partes* review. That too is contrary to the text, which says not only that the determination is "non-appealable," but also that it is "final" when it is made. It therefore cannot be treated as an interlocutory decision that is merged into the later final written decision, as petitioner proposes to do.

Petitioner also errs in relying on the presumption favoring judicial review. "Th[e] presumption is rebuttable: It fails when a statute's language or structure demonstrates that Congress wanted an agency to police its own conduct." *Mach Mining, LLC v. EEOC*, 135 S. Ct. 1645, 1651 (2015); *Block v. Community Nutrition Inst.*, 467 U.S. 340, 349 (1984) ("The presumption favoring judicial review of administrative action is just that – a presumption."). Here, the statute's text and structure amply overcome that

presumption; and, as the Director cogently observes (at 46-48), Congress's intent to foreclose review is made even clearer by comparing the broad language of § 314(d) to narrower provisions barring judicial review of only some aspects of decisions to initiate *ex parte* or (pre-AIA) *inter partes* reexaminations.

B. Appeals of Determinations To Institute *Inter Partes* Review Would Run Counter to Congress's Objective of Improving Patent Quality

The statutory bar on appellate review should also be enforced to further Congress's objective of improving patent quality, allowing the Board to cancel claims as unpatentable whether or not the institution decision can be criticized. This case shows why. Petitioner asserts (at 15) that the Board looked at evidence that the challenger had cited respecting claim 17 of the patent and relied on that evidence in also instituting *inter partes* review of claims 10 and 14 of the patent. After a full trial in which the Board found all three claims obvious and unpatentable, petitioner argues (at 48) that claims 10 and 14 should be reinstated because the Board looked at too much evidence in instituting review as to those claims.

Review of such alleged errors would frustrate the statute's "objectives" in light of "its legislative history, and the nature of the administrative action involved." *Block*, 467 U.S. at 345. Congress's decision to allow parties to appeal the Board's patentability decision – but not the initial decision to institute review – plays an important role in creating a "cost-effective alternative to formal litigation," 157 Cong. Rec. S951 (Feb. 28, 2011) (Sen. Hatch), that "screen[s] out bad patents while bolstering valid ones," *id.* at H4426 (June 22, 2011) (Rep. Goodlatte).

Petitioner itself acknowledges (at 15) that interlocutory review of the Board's decision to institute an *inter partes* review would be infeasible because the entire review process must be completed just one year after the decision to institute. *See* 35 U.S.C. § 316(a)(11) (requiring the Board to issue a final written decision within one year of institution). But Congress's goal of efficiency would be equally disserved by overturning a completed *inter partes* review for reasons unrelated to the merits of the patent and then possibly sending the case back for the PTO either to reinstate unpatentable claims or to reconsider the institution decision and restart the process.

If the Board's ultimate decision to cancel a patent claim is itself correct, the public benefits from leaving that decision in effect. *Cf.* Letter from Thomas Jefferson to Isaac McPherson (Aug. 13, 1813) (describing the proper focus of the patent system as "drawing a line between the things which are worth to the public the embarrassment of an exclusive patent, and those which are not"), *reprinted in* 3 *The Founders' Constitution* 42-43 (Philip B. Kurland & Ralph Lerner eds., 1987). Congress reasonably decided that the judicial review should focus on the merits of the agency's decision whether to cancel claims as unpatentable, rather than on the side issues petitioner sought to raise here. And Congress spoke clearly when it did so.[27]

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[27] Once the Board has instituted an *inter partes* review, its decision to cancel or not to cancel a claim as unpatentable may be challenged on appeal on any ground raised in the petition or otherwise properly presented during the proceeding. The bar on review applies only where an objection raised on appeal goes solely to the decision to institute rather than to the merits of the Board's final written decision.

C. Mandamus Should Be Available in Extraordinary Cases

By its terms, § 314(d) states that determinations whether to institute review are "nonappealable." It would be consistent with that language to permit review by mandamus in extraordinary cases where the traditional requirements for that writ are met, including a "clear and indisputable" right, *Cheney v. United States Dist. Court for Dist. of Columbia*, 542 U.S. 367, 380-81 (2004) (internal quotations omitted), that has been violated by an agency decision. Mandamus is traditionally viewed as distinct from "the regular appeals process," *id.*, so a textual bar on appeals can be read to leave open the possibility of judicial intervention on truly unusual facts.

Petitioner does not contend that the requirements for mandamus are met here, and that case-specific question is not within the scope of the petition for certiorari. Even if it were, petitioner's complaint that the Board considered too much evidence in the initial stage of proceedings is the sort of issue that Congress rationally decided was not worth the cost or time of authorizing judicial review. The Board's alleged error does not require unleashing one of "'the most potent weapons in the judicial arsenal.'" *Cheney*, 542 U.S. at 380 (quoting *Will v. United States*, 389 U.S. 90, 107 (1967)). Accordingly, this case can and should be resolved by applying the bar of § 314(d) on ordinary appeals and leaving for another day the question of mandamus authority.

CONCLUSION

The judgment of the court of appeals should be affirmed.

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ADDENDUM

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Association of Global Automakers
ASUSTeK Computer Inc.
BJ's Wholesale Club, Inc.
Canon Inc.
Computer & Communications Industry Association
Cisco Systems, Inc.
CTIA – The Wireless Association
Dell Inc.
Demandware, Inc.
Dropbox, Inc.
eBay, Inc.
Fairchild Semiconductor International, Inc.
Google Inc.
Hewlett Packard Enterprise
HTC Corporation
Intel Corporation
The Internet Association
J. C. Penney Corporation, Inc.
L Brands, Inc.
Limelight Networks, Inc.
LinkedIn Corporation
Micron Technology, Inc.
National Retail Federation
Netflix, Inc.
Newegg Inc.

Pegasystems Inc.
QVC, Inc.
Rackspace Inc.
Red Hat, Inc.
Ricoh USA, Inc.
Samsung Electronics Co., Ltd.
SAP America, Inc.
SAS Institute Inc.
Seagate Technology PLC
Symmetry LLC
Toyota Motor Corporation
Varian Medical Systems, Inc.
VIZIO, Inc.
Xerox Corporation

No. 15-446

IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE,
UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND
DIRECTOR, PATENT AND TRADEMARK OFFICE,
Respondent.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

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TABLE OF CONTENTS

Page

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF THE ARGUMENT 2

ARGUMENT 5

I. THE PTO APPROPRIATELY HAS CONTINUED ITS HISTORICAL PRACTICE OF USING THE BROADEST REASONABLE INTERPRETATION TO ASSESS PATENTABILITY BOTH BEFORE AND AFTER THE PATENT ISSUES 7

A. At The Application Stage, BRI Prevents Patents From Capturing Or Chilling The Public Domain 7

B. Congress Designed Inter Partes Review To Give The Patent Office A Chance To Correct Its Error If It Failed To Find Or Correctly Apply Prior Art 10

C. As It Has Always Done, BRI Serves The Same Function In Post-Grant Proceedings As In The Application Stage 16

II. APPLYING THE JUDICIAL CLAIM-CONSTRUCTION STANDARD IN INTER PARTES REVIEW WOULD DEFEAT STATUTORY AND CONSTITUTIONAL OBJECTIVES 22

TABLE OF CONTENTS
(continued)

Page

A. Employing The Judicial Claim-Construction Standard In IPR Would Allow Patentees To Twist Their Patents Like A Nose Of Wax, Stifling Companies From Practicing Technology In The Public Domain 24

B. Because Indefiniteness Challenges Are Not Available In Inter Partes Review, BRI Is The Only Way To Ensure That Claims Are Reasonably Clear About Their Scope 32

CONCLUSION 36

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Page(s)

Cases

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561 U.S. 593 (2010) 15

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536 F.3d 1330 (Fed. Cir. 2008) 20

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383 U.S. 1 (1966) 6, 8

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94 U.S. 568 (1877) 10, 32

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INTEREST OF *AMICUS CURIAE*[1]

Amicus curiae EMC Corporation is a leading technology company, and has a substantial interest in maintaining effective post-grant review. EMC's primary business is developing, making, and selling a wide variety of complex hardware and software data storage products that are used to store today's exploding volume of digital information. EMC owns over 5,100 United States patents and recognizes the importance of protecting valid intellectual property rights. But amicus frequently is targeted by litigants with opportunistic accusations that amicus infringes patents that reasonably appear to monopolize the prior art. Such patents may be erroneously granted for many reasons: They were issued in an era in which the Patent and Trademark Office was applying incorrect legal standards, they were allowed based on a misapplication of correct law, or the resource-constrained examiner simply failed to find the pertinent art in the universe of all publications and public uses that existed before the application was filed.

Whatever the reason for its existence, an issued patent that can reasonably be read broadly enough to sweep in the prior art inhibits productive activity and further innovation. There is no better evidence of this chilling effect than the tens of thousands—if

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[1] Pursuant to Supreme Court Rule 37.6, counsel for *amicus curiae* states that no counsel for a party authored any portion of this brief, and no person other than *amicus* or its counsel made any monetary contribution intended to fund the preparation or submission of the brief. All parties have consented to the filing of this brief.

not more—accusations of infringement of vaguely worded patents that amicus and other technology companies receive annually. Given the number of non-practicing entities who hold patents that, they assert, cover ubiquitous modern technology like client-server architecture or smartphones, these accusations defy credulity. Taken seriously, such patents would require innovative companies to pay tribute to vast numbers of coercive shell companies for building and selling the most common technology in our daily lives.

Fortunately, in 2011 Congress enacted the Leahy-Smith America Invents Act (commonly termed the "AIA"), which gives the PTO a second look at these broad, ambiguous patents—with the help of the threatened companies themselves. The PTO's task in such post-grant proceedings is the same as it has always been in post-grant proceedings: to correct its errors in issuing patents. The PTO fulfills this role, as it has for decades, by reevaluating patent claims through the lens of their broadest reasonable interpretation (or "BRI"). Following this standard ensures that a reasonable member of the public is not deterred from practicing what rightfully belongs to her—technologies in the public domain. Amicus has a strong interest in seeing that standard upheld.

SUMMARY OF THE ARGUMENT

The PTO properly polices the monopolies it grants by rejecting patents that, read as broadly as reasonable, would claim the prior art (or an obvious variant of it).

I. The broadest-reasonable-interpretation ("BRI") standard, applied for over 100 years, protects the public from the chilling effects of overbroad patents.

A. As the courts of appeals have recognized for nearly a century, the PTO's use of the BRI standard in initial examination helps ensure that the claims that issue are clear and limited to the true invention. An applicant, knowing that any ambiguities in drafting will be construed against her, has incentive to clarify her terms. Doing so helps give the public notice of what is out-of-bounds and what is still open. A reasonable member of the public, upon reading a patent, should not be discouraged from practicing technologies in the public domain. Patents worded broadly enough to hinder the public in this way unjustly expand the patent monopoly and transform it into a bludgeon for intimidation. Such patents never should issue.

B. Unfortunately, they often *do* issue. Patent examiners face severe time and resource constraints, and also perverse incentives to grant patents that may be invalid. Congress developed inter partes review, along with other post-issuance reviews, to enable the PTO to extinguish mistakenly granted patents, many of which were issued under overly permissive legal standards. The PTO's new procedures are, by design, quick and efficient. Heard by panels of three expert judges and informed by challengers with a vested interest in locating the relevant prior art, IPRs correct errors the PTO made during initial examination.

C. For IPRs to fix examination mistakes, they must utilize the same standard as is applied during patent examination: BRI. IPRs are not the first form of post-grant review Congress devised; for 36 years, the PTO has reexamined issued patents, and it has always used BRI to do so. Applying this standard in post-issuance proceedings ensures that claims that should never have been issued (because they impose an obstacle to protected innovative and competitive activity) do not survive. BRI expunges bad claims, while allowing applicants to respond to any previously overlooked prior art and to amend their claims accordingly. BRI is thus appropriately used in IPRs for the same reasons it is valuable in examination. It should be sustained.

II. Cuozzo urges that the PTO should construe patents in its IPR proceedings using the standard that applies in litigation. This approach would undermine the successful IPR procedure that Congress created five years ago.

A. Applying the litigation standard would discourage accused infringers from making use of IPRs, directly undermining Congress's intent. When drafting their claims, patentees often deliberately select obfuscatory terms rather than ones common in industry parlance. This practice prevents examiners from finding the most relevant prior art, and allows patent owners to claim not only their invention, but also future innovations they could not predict. Once the patent issues, the patentee often will sue practicing companies whose products are not remotely similar to the patentee's true invention, but can be read as infringing the broad claims the patentee obtained. IPRs are designed to give the accused infringer a

means of challenging claims that can be read this broadly. Under Cuozzo's standard, however, a defendant is unlikely to file an IPR arguing that the patent can be read broadly, for fear of effectively admitting infringement. Litigation over validity would remain in the district court, frustrating Congress's intent that the PTO, rather than district courts, decide most prior art challenges.

B. Cuozzo's standard also would eliminate the one tool the PTO has to ensure claim lucidity in IPRs: the broadest reasonable interpretation standard. Using that standard, the PTO has eliminated claims drafted malleably enough to reach the prior art. This Court should affirm this successful practice. To declare BRI impermissible would undermine a goal the PTO has promoted, and the courts have recognized, for a century: to encourage patentees to narrow their claims "to cover [their] actual invention only," while leaving the public breathing room to practice the prior art. *In re Carr*, 297 F. 542, 544 (D.C. Cir. 1924).

ARGUMENT

Since patent claims first were introduced, this Court has emphasized "the role of claims in defining an invention and providing public notice, and ... the primacy of the PTO in ensuring that the claims allowed cover only subject matter that is properly patentable." *Warner-Jenkinson Co.* v. *Hilton Davis Chem. Co.*, 520 U.S. 17, 33-34 (1997). Patent claims that reasonably can be construed to cover the prior art (or obvious improvements thereof) threaten this notice function. They intimidate the public from practicing what rightfully belongs to it—all technolo-

gies in the "public domain." *See Graham* v. *John Deere Co. of Kan. City*, 383 U.S. 1, 6 (1966).

To prevent intimidatingly amorphous claims from threatening the public's use of its own domain, the PTO has for over a century sought to reject claims that appear invalid under their broadest reasonable interpretation. The PTO has applied this standard in examining whether a patent should issue, and in reviewing whether the legal monopoly should persist. It should continue to do so.

Patent drafters are skilled at crafting malleable claims. An applicant often is able to get its claim allowed even if the claim can be read broadly enough to encompass the prior art—which is unsurprising, given the ex parte nature of patent prosecution and the limited resources and incentives an examiner has to find all the pertinent prior art. Applying the broadest reasonable interpretation again in inter partes review gives the PTO the chance to correct its error by cancelling patent claims that should never have issued in the first place. This practice discourages applicants from drafting claims strategically to enhance their *in terrorem* force. It encourages patentees to write their claims narrowly and clearly. It allows breathing room for innovation and competition. It should be affirmed.

I. THE PTO APPROPRIATELY HAS CONTINUED ITS HISTORICAL PRACTICE OF USING THE BROADEST REASONABLE INTERPRETATION TO ASSESS PATENTABILITY BOTH BEFORE AND AFTER THE PATENT ISSUES.

The PTO has evaluated claims under the broadest reasonable interpretation standard for over a century. The PTO has employed this standard regardless of whether it is scrutinizing the claims for initial approval or for continued validity and regardless of whether it is examining the claims on its own or with the participation of outside third parties.

As the courts have recognized for over 90 years, the PTO's longstanding claim-construction methodology serves critical functions: It ensures that the claims are clearly and narrowly tailored to the applicant's invention. It protects the public by giving them a zone in which they know they safely may practice technology in the public domain. The BRI standard should be maintained.

A. At The Application Stage, BRI Prevents Patents From Capturing Or Chilling The Public Domain.

There is a strong public interest in rejecting or invalidating patent claims that could embrace and therefore monopolize the prior art. Just two years ago, this Court explained that "the public" has "a paramount interest in seeing that patent monopolies are kept within their legitimate scope." *Medtronic, Inc.* v. *Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 851 (2014) (punctuation omitted). That is because a patent is "an exception to the general rule

against monopolies and to the right to access to a free and open market." *Precision Instrument Mfg. Co.* v. *Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945). The "patent monopoly" granted by the government, via the PTO, is "a privilege which is conditioned by a public purpose. It results from invention and is limited to the invention which it defines." *Mercoid Corp.* v. *Mid-Continent Inv. Co.*, 320 U.S. 661, 666 (1944). Patents, therefore, must be carefully restricted to only those justified by the incentive to innovate, while preserving a clearly demarcated realm in which the public safely can operate. *See Graham*, 383 U.S. at 5-11; Mark A. Lemley & Robin Feldman, *Patent Licensing, Technology Transfer, & Innovation* 3-5 (Stanford Law and Economics Olin Working Paper No. 484, 2016), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2738819 ("Patent Licensing").

Ever since patent "claims" came to "define the boundaries of a patent monopoly" (*Great Atl. & Pac. Tea Co.* v. *Supermarket Equip. Corp.*, 340 U.S. 147, 149 (1950)), this Court has warned of claims that, read broadly enough, would chill other potential inventors from making the attempt to devise a competing technology. Even where a patentee is the first to produce an invention that is far from obvious, the patent monopoly granted to her must leave reasonable room for the public to operate. For this reason, Samuel Morse could patent his telegraph, but could not lay claim to every future use of electromagnetism to print characters at a distance. *O'Reilly* v. *Morse*, 56 U.S. (15 How.) 62, 112-20 (1854). In cabining Morse's right, this Court explained that the apparent "extent of this claim," demarcated only by "broad

terms," would "shut[] the door against inventions of other persons." *Id.* at 112-13, 120.

To keep that door open, the PTO has long rejected claims whose broadest reasonable interpretation would make them invalid. This standard is appropriate on examination because, when rigorously enforced, it causes the applicant to narrow claims until they encompass only the true invention and not the prior art. "[D]uring patent prosecution when claims can be amended, ambiguities should be recognized, scope and breadth of language explored, and clarification imposed." *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989). The applicant knows she must ensure that her claims cannot be interpreted by a reasonable observer to cover the prior art, or else the PTO will (or at least should) reject them. So BRI gives applicants an incentive to make their claims clear, and appropriately narrow. This expedient, necessary to counter the applicant's natural temptation to craft claims that appear broad to accused infringers, preserves the notice function of patents and gives the public space to operate freely. BRI thus serves "[a]n essential purpose of patent examination," namely "to fashion claims that are precise, clear, correct, and unambiguous. Only in this way can uncertainties of claim scope be removed, as much as possible, during the administrative process." *Id.* at 322.

Because the BRI standard helps stamp out ambiguities before issuance, it "serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified." *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). BRI mitigates the public's uncertainty and confusion over the claims' meaning, and thus

"tends not only to protect the real invention, but to prevent needless litigation after the patent has issued." *In re Carr*, 297 F. 542, 544 (D.C. Cir. 1924). And, as this Court explained long ago, certainty is essential to a properly functioning patent system: "The public should not be deprived of rights supposed to belong to it, without being clearly told what it is that limits these rights." *Merrill* v. *Yeomans*, 94 U.S. 568, 573 (1877).

B. Congress Designed Inter Partes Review To Give The Patent Office A Chance To Correct Its Error If It Failed To Find Or Correctly Apply Prior Art.

Cuozzo does not deny the importance of ensuring that claims are clear and leave the public reasonable scope. *See* Cuozzo Br. 43-44. Nor does Cuozzo deny that this important public interest warrants using BRI when examining a claim prior to issuance, "to ensure that the claims clearly cover only what the inventor is entitled to claim." *Id.* at 21.

Cuozzo, rather, challenges the use of BRI in post-issuance inter partes review. Cuozzo Br. 17-18. Cuozzo contends that, by the time the claims are allowed, BRI has served its function and the PTO already has ensured that the claims are sufficiently narrow and clear. *Id.* at 44.

Congress found to the contrary, and was right to do so. The examination process works only to the extent the PTO has, and correctly assesses, the relevant prior art. Resource constraints, examiner incentives, and inconsistent adherence to the duty of

candor among applicants make that very difficult; mistakes abound.

Among many other factors rendering the examination process imperfect, applicants "are under no obligation to search for prior art, and most do not." Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1500 (2001) ("Rational Ignorance"). Furthermore, an examiner has on average "just eighteen hours—and, often, less"—to examine each patent from start to finish. Jarrad Wood & Jonathan R.K. Stroud, *Three Hundred Nos: An Empirical Analysis of the First 300+ Denials of Institution for Inter Partes and Covered Business Method Patent Reviews Prior to* In re Cuozzo Speed Technologies, LLC, 14 J. Marshall Rev. Intell. Prop. L. 112, 116 (2015); *accord, e.g.*, Justin Pats, *Preventing the Issuance of "Bad" Patents: How the PTO Can Supplement Its Practices and Procedures to Assure Quality*, 48 IDEA 409, 414, 417 (2008); Jason Rantanen, *The Malleability of Patent Rights*, 2015 Mich. St. L. Rev. 895, 911. Examiners spend only a small portion of that limited time conducting prior art searches, and "much of the most relevant prior art isn't easy to find—it consists of sales or uses by third parties that don't show up in any searchable database and will not be found by examiners in a hurry." Rational Ignorance, *supra*, at 1500; *accord* Pats, *supra*, at 418-20, 434.

Moreover, examiners face strong incentives to grant patents, particularly when faced with persistent applicants. For over fifty years, commenters have recognized the "constant pressure" examiners are under to "dispose of their cases (which can be achieved most expeditiously by allowing, rather than

denying, the application)." John C. Stedman, *The U.S. Patent System and Its Current Problems*, 42 Tex. L. Rev. 450, 463 (1964). The examiner must persist in her task until the application is granted or abandoned; a determined applicant can keep challenging rejections and filing new applications using the same specification until the examiner relents. *See ibid.* It is easier to allow an application than to reject it. Examiners get credit for "disposal of the application," but "[d]isposal counts are generally awarded either for the allowance or abandonment of the application. Noticeably absent from the list of ways to obtain a disposal count is continued rejection of the application." John R. Thomas, *Collusion and Collective Action in the Patent System: A Proposal for Patent Bounties*, 2001 U. Ill. L. Rev. 305, 324 (citations omitted). And while examiners must typically "articulate their reasons for a rejection," they usually "need say nothing if they chose to allow a [patent]. The belief is widely held that this regime encourages examiners to allow rather than to reject applications." *Id.* at 324-25.

Like individual examiners, the PTO as a whole faces pressure to issue patents. Since the PTO obtains more than half of its budget from postallowance fees (fees it gets only when it grants patents), "the back-end fee structure of the Agency biase[s] a financially constrained PTO toward allowing patents." Michael D. Frakes & Melissa F. Wasserman, *Does the U.S. Patent and Trademark Office Grant Too Many Bad Patents?: Evidence From a Quasi-Experiment*, 67 Stan. L. Rev. 613, 623 (2015).

For all of these reasons, the examiner "may not always accurately assess patentability." Wood & Stroud, *supra*, at 115.

Inter partes review gives the PTO a chance to correct its error with the benefit of interested parties' own prior-art search. Observers have long recognized that low-quality patents often persist until an "alleged infringer" challenges them, "typically us[ing] all his effort to present to the court all possible relevant prior art." Stedman, *supra*, at 464. Faced with an accusation of infringement, the defendant ensures that "patents are given a much closer look" than they were during examination. R. Polk Wagner, *Understanding Patent-Quality Mechanisms*, 157 U. Pa. L. Rev. 2135, 2148 (2009). In litigation, however, that "closer look" is very expensive. *Ibid.*; Sarah Tran, *Patent Powers*, 25 Harv. J.L. & Tech. 609, 629 (2012).

Congress therefore designed "faster and less expensive" new post-issuance procedures to "improve patent quality and help remedy the innovation-stifling effects of low-quality patents." Jonathan Tamimi, *Breaking Bad Patents: The Formula for Quick, Inexpensive Resolution of Patent Validity*, 29 Berkeley Tech. L.J. 587, 587 (2014). Those proceedings are aided by challengers (generally accused infringers) who, unlike examiners, typically have both the incentive and the resources to conduct an exhaustive review of the prior art. They can bring this art to a body of three administrative patent judges (*see* 35 U.S.C. § 6(a), (c)), who do not face the same incentives as examiners to grant patents that may be invalid.

Although Cuozzo contends that these features make inter partes review "an adjudicatory proceeding" (Cuozzo Br. 30), IPRs do not adjudicate accusations that a defendant infringes a patent. Rather, Congress set out to "improve the current inter partes administrative process for challenging the validity of a patent." 157 Cong. Rec. S952 (daily ed. Feb. 28, 2011) (statement of Sen. Grassley). Congress determined that the PTO needed to take a second look at issued patents, in a more accurate and efficient way. Congress adopted an efficient inter partes proceeding not in the expectation that the PTO would import every standard used by district courts, but rather to re-evaluate patentability with the benefit of adversarial testing. *See* US Br. 28-34. As one of the named sponsors of the AIA explained, Congress designed the new post-issuance reviews to "improve patent quality by expanding the role of third parties to the patent examination process, creating a streamlined first-window, postgrant review to quickly challenge and weed out patents that never should have been issued in the first place." 157 Cong. Rec. S5354 (daily ed. Sep. 7, 2011) (statement of Sen. Leahy).

The technology industry, in particular, is plagued by intentionally malleable software and business patents that were issued in the late 1990s and early 2000s. There are so many patents that can be read to cover every ubiquitous technology—250,000 patents may read on a smartphone, for example—that practicing companies are trapped in a "patent thicket." Mark A. Lemley, *Software Patents and the Return of Functional Claiming*, 2013 Wis. L. Rev. 905, 928-29 ("Software Patents").

These patents were granted based on erroneous interpretations of critical statutory requirements, including obviousness, definiteness, and eligibility. *See KSR Int'l Co.* v. *Teleflex Inc.*, 550 U.S. 398, 427-28, (2007); *Nautilus, Inc.* v. *Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2130 (2014); *Bilski* v. *Kappos*, 561 U.S. 593, 600 (2010). Congress intended post-issuance review to efficiently "knock[] out" these "bad patents" that never should have issued. 157 Cong. Rec. S1053 (daily ed. Mar. 1, 2011) (statement of Sen. Schumer); *accord* Cuozzo Br. 2. Indeed, this Court has recognized that a core congressional purpose in creating and expanding post-grant challenges is to eliminate such "'bad' patents." *Microsoft Corp.* v. *i4i Ltd. P'ship*, 131 S. Ct. 2238, 2252 (2011).

Using BRI, the PTO has effectively served Congress's goal: Parties filed over 2,000 challenges in the first two years, and the PTO instituted trials in three-quarters of those cases. *See*, *e.g.*, Wood & Stroud, *supra*, at 113, 141-42; Cuozzo Br. 34, 46. Part of the reason for this success is that BRI encourages defendants to channel their prior art-based challenges into the forum where they can be most efficiently and expertly litigated: the PTO. *See* Tamimi, *supra*, at 587. BRI thus serves the two purposes that Cuozzo itself admits Congress designed IPR to effectuate—weeding out invalid patents (Cuozzo Br. 2) and channeling invalidity challenges from inefficient district court litigation to the PTO (*id.* at 26-32).

C. As It Has Always Done, BRI Serves The Same Function In Post-Grant Proceedings As In The Application Stage.

To serve Congress's goal of enabling efficient correction of the PTO's errors in issuing patents that it should have rejected (157 Cong. Rec. S1053 (daily ed. Mar. 1, 2011) (statement of Sen. Schumer)), the PTO must apply the same standard in IPRs as it does in examination. The broadest reasonable interpretation standard serves the same function in IPRs as it does at the pre-issuance stage: It forces the applicant to amend and narrow claims until the true invention is identified. As commentators have noted, "[a]pplication of the broadest reasonable construction standard during IPR or CBM proceedings provides the patent owner with the opportunity to clarify the claims of the patent to provide adequate notice to the public." Eric C. Cohen, *A Primer on Inter Partes Review, Covered Business Method Review, and Post-Grant Review Before the Patent Trial and Appeal Board*, 24 Fed. Cir. B.J. 1, 17 (2014). And the PTO itself explained that:

> An essential purpose of the broadest reasonable claim interpretation standard in the amendment process is to encourage a patent owner to fashion clear, unambiguous claims. Only through the use of the broadest reasonable claim interpretation standard can the Office ensure that uncertainties of claim scope are removed or clarified. Since patent owners have the opportunity to amend their claims during IPR, PGR, and CBM trials, unlike in district court proceedings, they are able to resolve am-

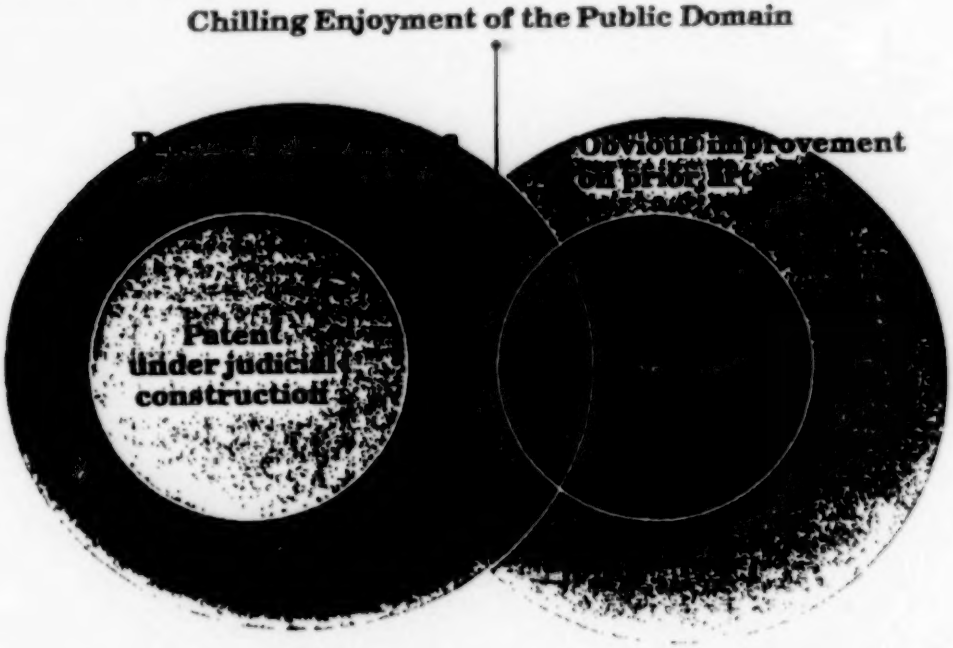
> biguities and overbreadth through this interpretive approach, producing clear and defensible patents at the lowest cost point in the system.

Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Unlike in district-court litigation, a patent owner faced with potential grounds for invalidation in IPR may "propose a reasonable number of substitute claims" and thereby avoid the prior art. 35 U.S.C. §§ 316(d)(1)(B), 326(d)(1)(B); 37 C.F.R. §§ 42.121(a)(3), 42.221(a)(3). And, indeed, *multiple* motions to amend during the IPR proceeding are permitted either with consent or, if opposed, for "good cause." 35 U.S.C. §§ 316(d)(2), 326(d)(2); 37 C.F.R. § 42.121(c). This "ability to amend claims to avoid prior art ... distinguishes Office proceedings ... and justifies the broadest reasonable interpretation standard for claim interpretation." Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,688 (Aug. 14, 2012).

Thus, far from depriving patentees of their "property" rights (Cuozzo Br. 43), IPRs provide patentees with a second chance to make those rights clearer and narrower, and thereby avoid invalidation at the district court. That Congress has limited somewhat a patentee's ability to move the goalposts (*id.* at 29-30) simply reflects Congress's desire to streamline the IPR procedure and to encourage accused infringers to use it (US Br. 23-27).

In addition to encouraging clarity of claim drafting, applying the BRI standard in IPR also secures the public against the chilling effect of potentially overbroad patents. In examination, BRI ensures that patents are not issued which look like they may sweep in the prior art, and thus deter companies from continuing to make their former products or from developing new ones in the entire broad area:



Such patents effectively take from the public more than the inner red circle they are entitled to; they chill the public from entering the shaded area as well. BRI encourages patentees to reduce the ambiguity illustrated by the outer red ring, to avoid invalidation.

In IPR, as in examination, only the validity of the patent—not whether it is infringed—is at issue. Thus, using a broad claim construction standard in IPR can only render relevant more prior art, and thereby help expunge suspect patents from the 2.5

million in force. *See* Dennis Crouch, *The Number of U.S. Patents in Force*, PatentlyO (Oct. 23, 2014), http://patentlyo.com/patent/2014/10/number-patents-force.html. BRI cannot broaden the "scope" of what the patentee may assert against "[t]he public," as Cuozzo misleadingly implies. Cuozzo Br. 44. Just the opposite: It is the BRI standard that prevents a patentee from "twist[ing]" the patent "one way to avoid anticipation and another to find infringement." *Id.* at 43 (citation omitted). BRI subjects the broadest reasonable "twist" of the claim to a prior art challenge. And it fosters the clarity of language needed "to apprise the public of what is still open to them." *Id.* at 44 (citation omitted).

For these reasons, the PTO has used the BRI standard, with the blessing of the courts of appeals, in a wide variety of proceedings, for more than a century. *See, e.g.*, *Tempo Lighting, Inc.* v. *Tivoli, LLC*, 742 F.3d 973, 977 (Fed. Cir. 2014) (inter partes reexamination); *Leo Pharm. Prods., Ltd.* v. *Rea*, 726 F.3d 1346, 1352 (Fed. Cir. 2013) (same); *Rowe* v. *Dror*, 112 F.3d 473, 477 (Fed. Cir. 1997) (interference); *Yamamoto*, 740 F.2d at 1571-72 (ex parte reexamination); *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A. 1981) (reissue proceeding); *In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969) (initial examination); *In re Kebrich*, 201 F.2d 951, 954 (C.C.P.A. 1953) (same); *In re Horton*, 54 F.2d 961, 964-65 (C.C.P.A. 1932) (same); *Carr*, 297 F at 543-44 (same); *Miel* v. *Young*, 29 App. D.C. 481, 484 (D.C. Cir. 1907) (same); *Podlesak & Podlesak* v. *McInnerney*, 109 Dec. Comm'r Pat. 265, 268 (same).

Indeed, the PTO has used many different post-grant review processes, and BRI has been the stand-

ard for all of these processes as relevant for unexpired claims. In 1980, Congress authorized the PTO to conduct ex parte reexaminations. *See* Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 (codified at 35 U.S.C. ch. 30 (1982)). Congress made ex parte reexaminations available when a requesting party presented "a substantial new question of patentability." 35 U.S.C. §§ 303(a), 304. In these proceedings, which continue to be available to this day, the PTO applies the same standard as it does in the application stage: broadest reasonable interpretation. *Yamamoto*, 740 F.2d at 1571-72.

In 1999, Congress added an option for *inter partes* reexamination, which allowed a third party to not only request but also participate in the proceeding before the PTO when raising "a substantial new question of patentability." *See Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1332 (Fed. Cir. 2008); 35 U.S.C. §§ 311-18 (2000). For these adversarial inter partes post-grant challenges as well, the PTO continued to apply the broadest reasonable interpretation standard and the courts continued to approve this methodology. *See Leo*, 726 F.3d at 1352; *Tempo Lighting*, 742 F.3d at 977 That is true even though, as Cuozzo admits, both ex parte and inter partes reexaminations were designed—like IPRs—"as a more efficient alternative to district court litigation." Cuozzo Br. 31.

The AIA was enacted against the backdrop of that well-established precedent. It is implausible to suggest that Congress intended to silently override the BRI standard for inter partes review only, leaving in place the BRI standard for new claims, for reissued claims, and for reexamination. *See Miles* v.

Apex Marine Corp., 498 U.S. 19, 32 (1990) ("We assume that Congress is aware of existing law when it passes legislation."); *Lorillard* v. *Pons*, 434 U.S. 575, 580 (1978) (Congress is "presumed to be aware of an administrative or judicial interpretation of a statute"); *NLRB* v. *Bell Aerospace Co., Div. of Textron, Inc.*, 416 U.S. 267, 275 (1974) ("[C]ongressional failure to revise or repeal the agency's interpretation is persuasive evidence that the interpretation is the one intended by Congress."); *Young* v. *Cmty. Nutrition Inst.*, 476 U.S. 974, 983 (1986) (same).

That is especially so given copious evidence that Congress regarded inter partes review as merely an expansion of existing inter partes reexamination. *See* Dell Br. 16-18, *Versata Dev. Grp., Inc.* v. *SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) (No. 2014-1194) (collecting sources), *petition for cert. filed*, No. 15-1145 (U.S. Mar. 11, 2016). If Congress had intended to *narrow* the claim-construction standard while *broadening* the inter partes procedure, it surely would have said so.

BRI serves the same purpose in inter partes review as it did in the earlier proceedings. By applying BRI whenever it evaluates a patent claim that is in force, the PTO ensures that patentees cannot unjustly deprive the public of what belongs to it. Nor can patentees draft claims broadly or vaguely enough to *threaten* that result. Cuozzo's desire to maintain broadly worded claims in the face of invalidating prior art aside, the courts have long explained that patentees' "interests are not impaired since they are not foreclosed from obtaining appropriate coverage for their invention with express claim language." *Yamamoto*, 740 F.2d at 1571. The BRI standard pre-

serves patents that claim true inventions, but requires them to be clear and narrowly drawn to those inventions.

If a patent that fails these criteria mistakenly is issued—as many inevitably are—the PTO needs to fix its error; Congress designed the IPR process for that very reason. Only by judging the patent by the same standard in IPR as in examination can the PTO properly correct its examination error.

II. APPLYING THE JUDICIAL CLAIM-CONSTRUCTION STANDARD IN INTER PARTES REVIEW WOULD DEFEAT STATUTORY AND CONSTITUTIONAL OBJECTIVES.

Cuozzo asks this Court to mandate an exception to the century of PTO practice in evaluating unexpired claims using their broadest reasonable interpretation. It requests that this Court bar the PTO from using the longstanding BRI standard in IPRs, and instead require it to employ the claim-construction approach used by courts in litigation. Cuozzo Br. 19. Cuozzo's proposed rule would produce pernicious results.

Unscrupulous patentees' goal in drafting claims is typically to cover as much future activity as possible, while allowing their claims to survive the examination process. In service of that iniquitous goal, patentees frequently pick claim terms that will obfuscate, rather than clarify, the claim's scope. Drafting guides instruct applicants how to "intentionally write ambiguous claims." *E.g.*, Jeffrey G. Sheldon, *How to Write a Patent Application* § 6.5.19, at 6-114 (2005). Selecting a general term, rather than one

with a well-defined meaning in the industry, frustrates the examiner's attempt to search for relevant prior art and encourages the weary examiner to believe the claims cover only what the applicant invented. Once issued, however, the patent can be deployed against new technologies the patentee did not invent and indeed could not have predicted. *See, e.g.*, Robert C. Faber, *Faber on Mechanics of Patent Claim Drafting* § 10:1.1, at 10-4 (7th ed. 2015) ("It is the claim drafter's job to have written the claims in the application ... to cover competitive products which neither the inventor nor the attorney thought of or could even have imagined at the time....").

IPRs today allow accused infringers to challenge such patents; but, under Cuozzo's rule, defendants would face strong incentives not to use this procedure. Not only will their validity challenges be tougher—and yet preclude them from offering a broad swath of defenses in the district court (35 U.S.C. § 315(e)(2))—but, as explained below, they may sacrifice their noninfringement arguments as well.

The consequence would be an elimination of the PTO's tool for ensuring claim clarity in inter partes review. This valuable process for giving the PTO a second look at issued patents would become at least as disfavored as inter partes reexamination, the proceeding Congress amended in creating IPRs. Congress intended IPRs to be liberally used. Importing the litigation standard to IPR proceedings would defeat that goal.

A. Employing The Judicial Claim-Construction Standard In IPR Would Allow Patentees To Twist Their Patents Like A Nose Of Wax, Stifling Companies From Practicing Technology In The Public Domain.

Cuozzo contends that the PTO, in assessing the validity of issued claims in the AIA's post-grant review proceedings, should apply the same claim-construction standard used by courts in litigation. Cuozzo Br. 17. Cuozzo does not contend, however, that the judicial standard is appropriate for the PTO to use in any *other* evaluation of unexpired claims. That is for good reason.

Cuozzo's proposed approach would lead to untoward results: Unscrupulous patentees could repeat the strategy that allowed their patents to be erroneously granted in the first place. They might escape substantive validity review by advancing an "ordinary meaning" construction of their intentionally foggy terms, and then pressing forward with accusations of infringement based on different scope than the PTO would have permitted. As this Court explained more than a century ago, patents should not be treated "like a nose of wax which may be turned and twisted in any direction." *White* v. *Dunbar*, 119 U.S. 47, 51-52 (1886). Cuozzo's standard, which permits patent claims designed to obfuscate the true invention to survive IPR, would allow exactly that.

The differing claim-construction standards applied by district courts and the PTO are directed at the same goal—preventing patentees from twisting

the patent to take from the public more than they are entitled to. As practitioners have explained,

> during prosecution the patent applicant prefers that the USPTO take a narrow interpretation of the patent claims to promote allowance of the claims with minimal amendments. During litigation the patent owner (formerly patent applicant) desires a broad interpretation to capture additional infringing parties while enjoying the presumption of validity. In each instance, the public's interest is to limit the patent applicants/owners from obtaining more patent scope than they are rightfully entitled in exchange for the patent right.

Andrew J. Fischer & David A. Jones, *The Bow Tie of Patent Claim Construction*, 4 Landslide 21, 23 (2012).

In order to effectuate their strategy of convincing the PTO to issue claims that they later interpret very differently, patent applicants often select deliberately obfuscatory claim terms. Rather than use a term common in the industry, which would have a well-defined meaning and also enable prior art searches, the patentee will select a term that it can later interpret substantially more broadly. *See, e.g.*, Wagner, *supra*, at 2149-50 (Patentees can "exploit the dual-stage-analysis process ... to obtain a patent under one understanding of the language (e.g., a narrow understanding) and later assert that same patent in a way that broadens the scope of coverage.").

To take one heavily-litigated example, a patentee (Richard Helferich) who in the 1990s may have devised a way of receiving voicemails on a pager filed

an application using terms that could be interpreted more broadly than this actual invention. For instance, instead of "voicemail address," Helferich picked "information identifier identifying the information." *See* U.S. Patent No. 7,155,241 claim 1 ("'241 Patent"). This common tactic frustrates the examination process in at least two ways.

First, oftentimes, the applicant will have invented some narrow process relevant to existing technology—in the example above, a way for pagers to access voice messages without requiring the user to call a voicemail system. *See* '241 Patent, Background of the Invention; Summary of the Invention. If the applicant uses an amorphous term that does not explicitly call out some *other* technology, the examiner may conclude that the applicant's term covers only what the applicant actually invented, and issue the patent. *See* Microsoft Br. 10-11.

Second, this tactic hampers prior art searches. If the patentee deliberately selects words not common in the industry, the examiner may not be able to locate all the pertinent prior art because it is difficult to know what to search for. Without invalidating references, the examiner may issue the patent.

In either event, once the patent issues, the patentee frequently will accuse technology that the patentee did not invent—and indeed may not have been contemplated by the patentee at the time of filing. In the example above, the patentee reinterpreted the term "information identifier" in litigation to encompass a "uniform resource locator (URL)." *Helferich Patent Licensing, LLC* v. *N.Y Times Co.*, 778 F.3d 1293, 1297 (Fed. Cir. 2015). The patentee threat-

ened lawsuits against hundreds of companies that send their customers text or multimedia messages containing URLs. *Ibid.* Indeed, the patentee even accused companies that would post to "third-party networking programs like Facebook and Twitter" because those social media sites allegedly would sometimes send text messages to their subscribers. *Ibid.* A patentee's deliberately malleable diction often will allow it to extract royalties for everyday activity, when the real invention was much narrower.

Courts sometimes bless this nose-of-wax strategy. Even if the specification suggests that the true thrust of the invention was something very different, courts frequently refuse to limit the claim to the true invention. *See Thorner* v. *Sony Computer Entm't Am. LLC*, 669 F.3d 1362, 1366–67 (Fed. Cir. 2012) (to limit claim scope, it is "not enough that the only embodiments, or all of the embodiments, contain a particular limitation"; "expressions of manifest exclusion or restriction, representing a clear disavowal of claim scope" are required).

When a court does not limit the claim to the true invention, an accused infringer cannot necessarily expect the claim to be held invalid (even if it should never have been issued). The nose-of-wax problem only rarely can be redressed in litigation because of the unskilled nature of juries and the weighty presumption of validity. As the Federal Circuit explained in rejecting an earlier argument that the BRI standard had been overruled *sub silentio*, "[i]t would be inconsistent with the role assigned to the PTO in issuing a patent to require it to interpret claims in the same manner as judges who, post-issuance, oper-

ate under the assumption the patent is valid." *In re Morris*, 127 F.3d 1048, 1054 (Fed. Cir. 1997).

At the PTO, patents enjoy no such presumption. *See* 35 U.S.C. §§ 316(e), 326(e); *In re Etter*, 756 F.2d 852, 858 (Fed. Cir. 1985) (en banc). As the D.C. Circuit explained more than 90 years ago, the PTO standard appropriately differs from the one employed by courts because courts seek to preserve the validity of a patent "if possible," whereas, when proceeding before the PTO, "there is no reason ... why an applicant ... should not draw his claims to cover his actual invention only." *Carr*, 297 F. at 543-44.

Indeed, were the PTO to apply the judicial standard, there inevitably would be cases in which courts end up interpreting claims more broadly than the PTO did when sustaining (or declining to examine) their validity in inter partes review. The courts would then presume the validity of those broadly interpreted claims (and insist on clear and convincing evidence of invalidity (*i4i*, 131 S. Ct. at 2242)), even though the rationale for doing so—that the PTO applied its expertise and approved that claim scope—would not apply because the PTO did *not* evaluate *that* scope. *See KSR*, 550 U.S. at 426. The inevitable result would be survival of patent claims that never would have issued had the PTO appreciated the eventual claim scope.

Inter partes review utilizing the BRI standard helps remedy the nose-of-wax problem. This relatively cheap and quick procedure is available to companies that have been sued for patent infringement. *See* 35 U.S.C. §§ 311(a), 315(a), (b). In that setting, the alleged infringers are aware of how the patentee

is reading the claim—"the invention as 'the applicant regards' it." *Zletz*, 893 F.2d at 322 (quoting 35 U.S.C. § 112 ¶ 2 (pre-AIA)). Typically, the patentee asserts a broad construction in litigation—a reading that would make the defendant an infringer.

Under current law, accused infringers can bring the patentee's broad reading to the PTO, and argue that it renders the patent invalid. They thus test the patentee's reading against the prior art, an eminently fair approach. Defendants are only willing to do so, however, because of BRI, which enables them to argue that the PTO should employ the patentee's claim construction because it falls within the claim's *broadest* reasonable interpretation. With the BRI standard, defendants are not required to admit that the patentee's reading is *correct*; they merely need to contend that it is reasonable enough for the PTO to test the prior art against.

But this process does not work if the defendant cannot rely, in its IPR challenge, on the broadest reasonable interpretation of the patent. An accused infringer challenging a patent in IPR must begin by filing a petition that lays out the construction of the claims it believes the PTO should apply. 37 C.F.R. § 42.104(b)(3). The petitioner bears the burden of proving invalidity (35 U.S.C. § 316(e)), and accordingly the petitioner must advance a construction, using the PTO's claim-construction standard, under which the patent is invalid.

If the judicial claim-construction standard applied in IPR, the petitioner would have to advance a construction that it *admits* is the same one that should be used in court—indeed, in the very court

where it is being sued for infringement. If the IPR petitioner asked the PTO to test the patentee's claim construction against the prior art, the patentee would characterize this as a concession that the patentee's construction is correct—and that the petitioner is therefore an admitted infringer. Indeed, notorious non-practicing entity Intellectual Ventures candidly advocates this result. *See* Intellectual Ventures Br. 17 ("parties must pick a single claim construction to defend on both infringement and validity grounds"). Therefore, if the litigation standard applied in IPR, defendants would be unlikely to advance patentees' broad constructions in IPRs, as they often do today, because that would amount to an admission of infringement.

Indeed, it would entail sacrificing not only the defendant's noninfringement position in court, but potentially its invalidity case (or much of it) as well. The statute explicitly precludes an IPR petitioner from "assert[ing]" in the district court "that the claim is invalid on any ground that the petitioner raised *or reasonably could have raised* during that inter partes review" if the IPR results in a final written decision. 35 U.S.C. § 315(e)(2) (emphasis added). Thus, filing a petition already carries a significant risk for any accused infringer: If the PTO initiates review and issues a final written decision, the petitioner will be estopped from raising in litigation any defense she reasonably could have raised in the IPR.

Given this substantial risk to defendants' invalidity defenses in litigation, imposing still greater costs on defendants by essentially forcing them to admit infringement as the price of access to the IPR procedure would likely dissuade many from filing

IPRs. Defendants might well find the reduced burden of proof in the IPR insufficient to make up for the risk of defeating their own infringement case (by advancing a broad construction) *and* invalidity case (by estoppel), not to mention the expense of IPR proceedings. Thus, if Cuozzo prevails, the PTO can expect to see fewer socially beneficial challenges to patent validity (*see Blonder-Tongue Labs., Inc.* v. *Univ. of Ill. Found.*, 402 U.S. 313, 343-45 (1971)) channeled to its expert Patent Trial and Appeal Board—and the courts can expect to see much more, and more intensive, litigation.

That would defeat Congress's intent that the inter partes review process it adopted five years ago actually be used. Congress had experimented with multi-party proceedings when it created inter partes reexamination in 1999. But Congress found that inter partes reexaminations were not being used often enough. As the House Report on the AIA noted, "[o]ver the 5-year period studied by the USPTO, it issued 900,000 patents and received only 53 requests for inter partes reexamination." H.R. Rep. No. 112-98, pt. 1, at 46 (2011). Congress therefore redesigned the system for inter partes patent challenges at the PTO in order to "remove current disincentives to current administrative processes" for bringing such challenges. *Id.* at 48. Changing the claim-construction standard to make challenges more difficult to win—and to have worse consequences if the petitioner loses—would *add* new disincentives to those previously faced by inter partes reexamination requesters, not "remove current" ones.

This Court should reject such a skewed reading. It "cannot interpret federal statutes to negate their

own stated purposes." *King* v. *Burwell*, 135 S. Ct. 2480, 2493 (2015) (citation omitted).

B. Because Indefiniteness Challenges Are Not Available In Inter Partes Review, BRI Is The Only Way To Ensure That Claims Are Reasonably Clear About Their Scope.

Adopting the litigation standard also would eliminate the only means available for the inter partes review process to ensure that claims are reasonably clear.

Section 112 of the Patent Act is designed (among other goals) "to require that a patent's claims ... inform those skilled in the art about the scope of the invention with reasonable certainty." *Nautilus*, 134 S. Ct. at 2129. This "definiteness" standard is supposed to guarantee that the patent is "precise enough to afford clear notice of what is claimed, thereby apprising the public of what is still open to them." *Ibid.* (punctuation omitted). The vast majority of patents litigated today, however, were filed long before this Court corrected the Federal Circuit's overly permissive test for definiteness in *Nautilus*. Present-day patent litigation thus involves claims that the PTO has *never* tested against the proper standard. And many patents employ terms that are "far from possessing that precision and clearness of statement with which one who proposes to secure a monopoly at the expense of the public ought to describe the thing which no one but himself can use or enjoy, without paying him for the privilege of doing so." *Merrill*, 94 U.S. at 570.

That reality is especially troublesome because a petitioner may not, in inter partes review, challenge a patent for failure to comply with Section 112's definiteness requirement. *See* 35 U.S.C. § 311(b) ("A petitioner in an inter partes review may [challenge] a patent *only on a ground that could be raised under section 102 or 103* and only on the basis of prior art consisting of patents or printed publications.") (emphasis added).

Even though Section 112 challenges are unavailable in IPR, the BRI standard can ensure that claims are reasonably clear about their scope, and thereby "protect[] the public against extension of th[at] scope." *Universal Oil Prods. Co.* v. *Globe Oil & Ref. Co.*, 322 U.S. 471, 485 (1944). The BRI standard achieves this goal by giving patentees incentives to ensure that the broadest reasonable reading of their claims still will not cross the line of patentability. *Zletz*, 893 F.2d at 321-22. If the claims may reasonably be read to cross that line, the PTO will cancel them absent amendment by the patentee. Therefore, as the then-Director of the PTO explained, *"[o]nly through the use of the broadest reasonable claim interpretation standard* [in IPR and other post-grant review proceedings] can the Office ensure that uncertainties of claim scope are removed by the inventor." David Kappos, *Ensuring Quality Inter Partes and Post Grant Reviews*, USPTO (June 19, 2012), http://www.uspto.gov/blog/director/entry/ensuring_quality_inter_partes_and (emphasis added).

Thus, in IPR proceedings, application of the broadest reasonable interpretation standard is how the PTO ensures that claims with amorphous scope

are not allowed to continue to threaten their targeted industry. For example, in an IPR challenging the '241 Patent described in Part II.A, *supra*, the PTO "construe[d] the claim term an 'information identifier for identifying the information' broadly, but reasonably." *CBS Interactive Inc.* v. *Helferich Patent Licensing, LLC*, IPR2013-00033, 2014 WL 1253006, at *5 (P.T.A.B. Mar. 3, 2014), *aff'd*, 599 F App'x 955 (Mem) (Fed. Cir. 2015) (per curiam). Applying that interpretation, the PTO invalidated the patent under the prior art. *Id.* at *23. The patentee had only his overbroad, strategic claim drafting to blame: In the patent, the "information identifier" term was "used loosely with ... boundaries that are not well-defined." *Id.* at *6. Although indefiniteness was not directly at issue, the PTO used BRI appropriately to prevent a patent with such "loose[]" and "[i]ll-defined" borders from menacing hundreds of additional target companies.

If the PTO were forced to apply the judicial claim-construction standard, claims that may encompass the prior art but whose meaning is not reasonably clear could survive IPR and impose heavy litigation costs on countless practicing companies and industries. As this Court has long recognized, the chilling effects of that result would controvert the constitutional purpose of the patent system: "A zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims would discourage invention only a little less than unequivocal foreclosure of the field." *United Carbon Co.* v. *Binney & Smith Co.*, 317 U.S. 228, 236 (1942); *accord, e.g.*, *Gen. Elec. Co.* v. *Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938) ("The limits of a pa-

tent must be known for ... the encouragement of the inventive genius of others and the assurance that the subject of the patent will be dedicated ultimately to the public."); Fed. Trade Comm'n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* 98 (2011) ("Allowing multiple potential constructions" of a claim "to persist adds a penumbra to a patent's scope, discouraging rivals from entering where, with clearer notice, they could safely operate.").

Applying the judicial claim-construction standard to claims challenged in an IPR would pose other practical difficulties as well. Cuozzo does not contend that the PTO should change its longstanding practice of using the BRI standard for *new* claims, including amended claims introduced for the first time in post-issuance proceedings. *See* Cuozzo Br. 23 (explaining that the use of BRI in reexamination allows the PTO "to *re* examine the claims, and to *examine* new or amended claims, as they would have been considered if they had been originally examined in light of all of the prior art of record in the reexamination proceeding" (citation omitted)).

Therefore, under Cuozzo's rule, the PTO would be forced to apply two divergent standards in the *same* IPR—BRI for amended claims and the judicial standard for issued claims. This would be especially confusing given that amended claims generally incorporate the same terms as the issued claims—they must not "enlarge the scope of the claims of the patent or introduce new subject matter," after all (37 C.F.R. § 42.121(a)(2)(ii))—but just add some further limitations to narrow their scope. The PTO would therefore be construing the *same terms*, in the same

proceeding, in two different ways. Just as "[i]t would be anomalous for the Board to have to apply two different standards in [a] merged proceeding," it would be even more anomalous for the Board to apply two different standards in the *same* proceeding. 77 Fed. Reg. at 48,698.

This dual standard would discourage amendment. While Cuozzo argues that the "standard for granting a motion to amend in IPR is extremely high" today (Cuozzo Br. 29), Cuozzo's rule would do nothing to reduce that supposed burden. Indeed, patent owners facing an IPR challenge would be *more* likely than they are today to forgo their opportunity to amend—which would continue to require them to prove that their claims, construed as broadly as reasonable, are patentable—and instead to rest on their issued claims, which would be construed under a more permissive standard.

That result would further undermine a central goal of PTO proceedings, judicially recognized for nearly a century—namely, to encourage patentees to narrow their claims "to cover [their] actual invention only," while leaving breathing room for the public to practice the prior art. *Carr*, 297 F at 544. The PTO should continue to apply the BRI standard to unexpired claims, in both its initial and post-issuance assessments of patentability.

CONCLUSION

The Court should hold that the PTO's use of the broadest reasonable interpretation standard in post-grant review proceedings is appropriate.

Respectfully submitted.

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Petitioner,

v

MICHELLE K. LEE, Under Secretary of Commerce
for Intellectual Property and Director,
Patent and Trademark Office,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF GENERIC PHARMACEUTICAL ASSOCIATION AND AMERICA'S HEALTH INSURANCE PLANS AS *AMICI CURIAE* IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

TABLE OF AUTHORITIES iii

INTEREST OF THE AMICI CURIAE 1

SUMMARY OF THE ARGUMENT 6

ARGUMENT 7

I. The PTAB Should Use the BRI Standard in IPRs 7

A. Congress Intended for BRI to Be Used in IPRs 7

1. When Congress Passed the AIA, The PTO Had for Decades Been Using BRI in Interferences, Proceedings Very Similar to IPRs in All Material Respects 7

a. Overview of Interference Proceedings 8

b. Interferences Are Adjudicatory 10

c. The Ability to Amend Claims Is Limited in Interferences 12

d. Congress Is Presumed to Have Been Aware of the Use of BRI in Interferences 16

2. Congress Gave the PTO the Authority to Issue a Rule Requiring That the BRI Standard Be Used in IPRs 17

3. In Creating IPRs, Congress Intended to Facilitate the Elimination of Weak Patents By Improving the *Inter Partes* Reexamination Process, Not to Duplicate District Court Procedures 19

B. The PTO's Use of the BRI Standard in IPRs Deserves Deference Because, *Inter Alia*, the Purposes of the BRI Standard Support Using It in IPRs 24

C. Cuozzo Greatly Exaggerates the Impact of the BRI Standard on the IPR Cancellation Rate 27

II. The PTAB's Decision to Institute an IPR is Not Reviewable 29

A. The Language of Section 314(d) Precludes Review of IPR Institution Decisions 29

B. Precluding Review of Institution Decisions Comports With Congressional Intent 34

CONCLUSION 36

TABLE OF AUTHORITIES

Page(s)

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Bamberg v. Dalvey,
No. 15-1548, 2016 WL 890682
(Fed. Cir. Mar. 9, 2016) 15

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930 F.2d 72 (D.C. Cir. 1991) 3

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386 F.3d 1116 (Fed. Cir. 2004) 13, 15

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802 F Supp. 2d 678 (E.D. Va. 2011) 32

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No. 3:12-CV-299-CAN, 2016 WL 96164
(N.D. Ind. Jan. 8, 2016) 25

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740 F.2d 1569 (Fed. Cir. 1984) 24

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35 U.S.C. § 315(e)(2)	25
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35 U.S.C. § 316(a)(4)	17, 18
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INTEREST OF THE AMICI CURIAE[1]

The **Generic Pharmaceutical Association (GPhA)** is a nonprofit, voluntary association representing nearly 100 manufacturers and distributors of finished generic pharmaceutical products, manufacturers and distributors of bulk active pharmaceutical chemicals, and suppliers of other goods and services to the generic pharmaceutical industry Generic pharmaceutical products are just as safe and effective as their brand-name counterparts, but substantially less expensive. Such products account for roughly 80% of all prescriptions dispensed in the United States but only 27% of the money spent on prescriptions. In this way, generic products save consumers nearly $200 billion each year. GPhA's core mission is to improve the lives of consumers by providing timely access to affordable pharmaceuticals.

To obtain FDA approval to market a generic version of a brand-name drug product, an entity must file an Abbreviated New Drug Application (ANDA). In response to ANDA filings, brand-name drug makers often bring patent suits against ANDA applicants under the Hatch-Waxman Act. 21 U.S.C. § 355. When such suits are brought, the FDA is statutorily prohibited from approving the applicant's ANDA for

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[1] The parties have consented to the filing of this amicus brief. Petitioner has filed a blanket consent with the Court, and written consent from Respondent is submitted herewith. No counsel for a party authored this brief in whole or in part; and no such counsel or any party made a monetary contribution intended to fund the preparation or submission of this brief. No person or entity, other than amici and their counsel, made a monetary contribution intended to fund its preparation or submission.

thirty (30) months unless the district court decides the patent is invalid or not infringed before the expiration of this 30-month stay *See* 21 U.S.C. § 355(j)(5)(B)(iii)(I); *FTC v. Actavis, Inc.*, 133 S. Ct. 2223, 2228 (2013). Brand-name drug makers have a strong interest in delaying resolution of such cases to maximize the benefits of the 30-month stay, and thus often sue in slower jurisdictions. ANDA applicants have a correspondingly strong interest in trying to resolve patent issues as quickly as possible.

Brand-name drug makers also frequently engage in a practice known as "ever-greening," which involves (1) making minor changes to existing drug products shortly before the original patents on those products are about to expire, (2) encouraging doctors and patients to switch to these "improved" products before generic versions of the existing products are approved, (3) obtaining patents on these minor changes, and (4) asserting these weak patents against ANDA applicants seeking approval for generic versions of the "improved" products. *See generally New York ex rel. Schneiderman v. Actavis PLC*, 787 F.3d 638 (2d Cir. 2015). Because of the 30-month stay, this can significantly delay the launch of generic versions even if the patents are ultimately found invalid.

The new *inter partes* review (IPR) proceedings for challenging patents created by the America Invents Act (AIA), which are statutorily required to be completed within one year of institution, are a valuable tool for ANDA applicants to resolve certain issues involving brand-name drug patents more quickly than possible through district court litigation. This furthers the Congressionally-mandated goal of the Hatch-Waxman

Act, which is to "get generic drugs into the hands of patients at reasonable prices – fast." *In re Barr Labs., Inc.*, 930 F.2d 72, 76 (D.C. Cir. 1991). Accordingly, GPhA has a strong interest in opposing any efforts to undermine Congress's purpose in creating IPRs in the first place, which is to provide a speedy and effective procedure for eliminating weak patents. Importantly, in a case such as this one, GPhA has member interests that align with each side; GPhA, however, takes positions based on its analysis of the underlying issue at hand with a goal to promoting a fair and efficient patent system.

America's Health Insurance Plans ("AHIP") is a national trade association representing the health insurance industry. AHIP's members provide health insurance benefits, including health, pharmaceutical, long-term care, disability, dental and supplemental coverage to more than 200 million Americans. AHIP advocates for public policies that expand access to affordable healthcare coverage for all Americans through a competitive marketplace that fosters choice, quality and innovation.

AHIP's members, who include primary payers for prescription drugs in the United States, have a strong interest in a competitive market for those drugs. As our members are uniquely aware, increases in prescription drug costs are a leading driver of rising healthcare costs. Moreover, those increases have been accelerating at an alarming rate. In 2014, year-over-year national health spending grew by 5 percent compared to 2013, while prescription drug spending

grew by 13 percent, to $319 billion—by far, the fastest growth rate of all major categories of health spending.[2]

Prescription drug prices increased by 6.4 percent, the highest growth rate since 1992 and, by far, the most rapid growth rate of all major categories of price growth in the health sector.[3]

Faster price growth in 2014 resulted from price increases for brand-name drugs, the unit cost of which grew by 15.4 percent compared to 0.2 percent for generic unit cost.[4]

Faced with such trends, AHIP believes it is critically important to support policies that will bring more affordable options to consumers, taxpayers, and government programs. This includes policies that encourage the availability of generic drugs and through the use of the IPR process to challenge weak patents and expedite generic drug entry to the benefit of the U.S. healthcare system.

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[2] *See* Altarum Institute, Initial estimates suggest health spending grew by 5.0% in 2014 (Feb. 12, 2015), http://altarum.org/sites/default/files/uploaded-related-files/CSHS-Spending-Brief_February_2015.pdf.

[3] *See* Altarum Institute, Health care price growth ticks up despite 16-year hospital growth low (Feb. 12, 2015), http://altarum.org/sites/default/files/uploaded-related-files/CSHS-Price-Brief_February_2015.pdf.

[4] *See* S&P Dow Jones Indices, Healthcare Expenditures for Commercial Plans up 3.2% in the Year to February 2014: S&P Healthcare Claims Indices (June 30, 2014), http://us.spindices.com/index-family/healthcare-claims/healthcare-national.

When it comes to price, there is a significant difference between generic and brand name drugs. On average, generic drug prices are 80 to 85 percent lower than comparable branded drug prices.[5] The Congressional Budget Office ("CBO") has calculated that the IPR process will save U.S. taxpayers $1.3 billion on federal healthcare costs, such as Medicare and Medicaid, over the next ten years.[6] Other studies have valued the healthcare savings of the IPR process much higher, especially when factoring in the expected costs borne by private insurers. The Center for Economic and Policy Research ("CEPR") has calculated that, without the IPR process, healthcare costs would increase by at least $73 billion in the 20-year period from 2018-2037

We believe that the IPR process is largely working as intended by providing a more cost-effective avenue to challenge weak patents. Further, we believe that the IPR process is a critical consumer protection against abusive patent extensions that limit patient access to more affordable treatment options, delay market entry of less expensive generic therapies, and drive up drug costs.

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[5] *See* U.S. Food and Drug Administration, Facts about Generic Drugs, http://www.fda.gov/Drugs/ResourcesForYou/Consumers/BuyingUsingMedicineSafely/UnderstandingGenericDrugs/ucm167991.htm.

[6] *See* Drug-Industry Rule Would Raise Medicare Costs, Wall Street Journal (Aug. 31, 2015), http://www.wsj.com/articles/drug-industry-bill-would-raise-medicare-costs-1441063248.

SUMMARY OF THE ARGUMENT

As to the first question presented, Congress was not legislating on a blank slate when it passed the AIA and created IPRs. For decades, the U.S. Patent and Trademark Office (PTO) had been using the broadest reasonable interpretation (BRI) standard when determining the patentability of unexpired patents. Cuozzo argues this history is irrelevant because none of the prior proceedings were (1) adjudicatory, and (2) limited the ability to amend claims. But as explained below, PTO interference proceedings – where the BRI standard is used when determining the patentability of claims in issued patents – have both of these features. Indeed, many of the procedures that the PTO adopted for IPRs were based on the PTO's interference procedures. This shows that Congress intended for the BRI standard to be used in IPRs.

Contrary to Cuozzo's argument that the PTO lacks the rule-making authority to adopt the BRI standard in IPRs, the PTO issued a rule in 2004 explicitly adopting the BRI standard in interferences based on rule-making authority that was very similar to the authority that Congress gave it for IPRs. This shows that Congress intended to give the PTO the authority to issue a rule requiring the BRI standard for IPRs.

The PTO's use of the BRI standard in IPRs comports with the purposes behind the standard. Specifically, the use of BRI in IPRs reduces the likelihood that a patent claim will be given a broader interpretation in infringement litigation than under PTO evaluation, and also encourages the elimination of

ambiguous claim language. Accordingly, the PTO's use of the BRI standard deserves considerable deference.

As to the second question presented, the language of Section 314(d) providing that the PTO's decision regarding "whether to institute" an IPR is "final and nonappealable" plainly insulates that decision from judicial review. This is consistent with Congressional intent, which was for IPRs to be a speedy procedure for eliminating weak patents. Indeed, when discussing the same "final and nonappealable" language in a predecessor statute, Congress explicitly stated in a Conference Report that that language precluded "judicial review."

ARGUMENT

I. The PTAB Should Use the BRI Standard in IPRs

A. Congress Intended for BRI to Be Used in IPRs

1. When Congress Passed the AIA, The PTO Had for Decades Been Using BRI in Interferences, Proceedings Very Similar to IPRs in All Material Respects

For decades, the PTO has conducted adjudicatory proceedings known as interferences. In interferences, the patentability of claims in issued patents is decided, and the ability to amend claims is limited. Importantly, the PTO uses the BRI standard in interferences, including when deciding the patentability of a claim in an issued patent. *See Bamberger v. Cheruvu*, 55 U.S.P.Q.2d 1523, 1527 (B.P.A.I. 1998). This severely undercuts Cuozzo's argument that the PTO's previous

use of BRI in all proceedings involving unexpired patents is essentially irrelevant because those proceedings were not adjudicatory and did not limit the patent owner's ability to amend its claims.

a. Overview of Interference Proceedings

Some background on interference proceedings may prove helpful in understanding the palette Congress had before it when adopting the AIA. An interference is a proceeding in which the PTO determines which of two entities that independently filed patent applications on the same subject matter was the first to invent the disputed subject matter. *See* 35 U.S.C. § 135 (2006). This is known as the "priority" issue. Before the AIA, this issue was important because the first entity to invent particular subject matter was generally entitled to the patent on that subject matter, even if it was not the first to file a patent application. The AIA moved the United States closer to the rest of the world by adopting a "first-inventor-to-file" system, meaning that the first inventor to file a patent application on an invention is generally entitled to the patent, even if he or she was not the first to invent that subject matter. Because of this change in the law, interferences are being phased out, although there are still interferences pending before the PTO.

Interferences can be between two pending applications, or a pending application and an issued patent. An interference between a pending application and an issued patent may arise when, for example, the owner of a pending application identifies an issued patent that appears to claim the same invention. In that situation, the owner of the pending application

may ask the PTO to institute an interference with the issued patent if the owner of the pending application believes the inventor on the pending application invented the common subject matter first.

In an interference, the PTO also may decide patentability issues, including whether the claims in the pending application or issued patent are patentable over the prior art. There are no examiners in interferences. Before the AIA, interferences were decided by a three-judge panel of the PTO Board of Patent Appeals and Interferences (BPAI or Board), a body composed of specially-trained Administrative Patent Judges. Because the AIA phased out interferences, the BPAI was renamed the Patent Trial and Appeal Board (PTAB or Board), but the PTAB is composed of the same specially-trained Administrative Patent Judges as the predecessor BPAI. The PTAB has been tasked with deciding the remaining pending interferences.

There are two possible phases in an interference – a preliminary motions phase, followed by – in some instances – a priority phase. In the preliminary motions phase, one of the issues that the parties may raise by motion is whether the claims in the opposing party's application or patent are patentable. In response, a party may move to amend its claims to address the patentability issue. The Board then decides the patentability issue, giving the claims in the application or patent their broadest reasonable interpretation. Often, interferences are resolved by a holding that a party's claims are not patentable over

the prior art.[7] Thus, although interferences are proceedings for determining priority, they often result in patentability determinations.

b. Interferences Are Adjudicatory

Cuozzo lists certain features of IPR proceedings that it contends make those proceedings "adjudicatory": (1) the PTAB adjudicates the arguments of the parties rather than conducting an examination of the patent; (2) the parties have the opportunity to obtain document discovery, take depositions, present fact witness declarations and expert reports, submit briefs, and participate in oral argument before a three-judge panel of the PTAB; (3) the party seeking to have claims held unpatentable has the burden of doing so; (4) the three-judge panel issues a written decision; and (5) declaring claims unpatentable has the same effect as claims being declared invalid by a district court. Cuozzo Br. at 27 As set forth below, all of these features indisputably are present in interferences.

As for (1), there are no examiners or independent examination of the patent in interferences. Rather, the Board decides the issues raised by the parties. As for (2), the procedures for discovery, depositions, declarations, expert reports, briefs and oral argument in interferences are very similar to those in IPRs. Indeed, looking at these criteria, IPRs are more similar to interferences than they are to district court litigation. For example, discovery is much more limited

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[7] *See, e.g.*, *Pivonka v. Axelrod*, No. 2008-1413, 2009 WL 405816, at **2-4 (Fed. Cir. Feb. 19, 2009) (non-precedential); *Thompson v. Thompson*, 13 Fed. App'x. 925, 928 (Fed. Cir. 2001).

in IPRs and interferences than in district court litigation. Similarly, direct witness testimony in IPRs and interferences is almost always presented by declaration, while cross-examination is almost always conducted at depositions, with the transcripts later being provided to the Board. In contrast, in district court litigation, direct and cross-examination of witnesses typically occurs through questioning of a witness in the courtroom. As for (3), the party seeking to have claims declared unpatentable in an interference has the burden of doing so, just as the petitioner in an IPR does. As for (4) and (5), in an interference, the Board issues a written decision deciding the issues raised by the parties, and any rulings that claims are unpatentable have the same effect as district court rulings that claims are invalid. In short, interferences are "adjudicatory" in the same sense IPRs are adjudicatory.

Indeed, as one commentator noted, the PTO's IPR procedures were drawn directly from its procedures in interferences:

> While some may be inclined to cast the new proceedings as the evolutionary successors of the PTO's existing patent-reexamination procedures, in reality their lineage is the PTO's patent-interference practice. Only the latter system uses the same model found in the new post-grant and *inter partes* review procedures—namely, pleadings filed by opposing parties before a PTO panel acting as the adjudicator, limited discovery and use of oral hearings. Further, as the recently published draft rules on the new proceedings show, the

> PTO is drawing extensively from its interference "contested proceedings" model to define the way in which it will conduct the new post-grant and *inter partes* review proceedings.

See Jeffrey P Kushan, *The Fruits of the Convoluted Road to Patent Reform: The New Invalidity Proceedings of the Patent and Trademark Office*, 30 Yale L. & Pol'y Rev 385, 390-91 (2012).[8]

c. The Ability to Amend Claims Is Limited in Interferences

A party's ability to amend claims in an interference in response to a patentability challenge is limited. Indeed, the limitations on the ability to amend one's claims in an interference are remarkably similar to the limitations on the ability to amend one's claims in IPRs that Cuozzo contends makes the use of the BRI standard inappropriate in IPRs.

Cuozzo argues BRI is inappropriate in IPRs because of the following limitations on amending: (1) the patent owner may file only one motion to amend after conferring with the Board, (2) the motion is presumptively limited to substituting one amended claim for each challenged claim, (3) the amendment

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[8] The similarity of the procedures adopted by the PTO for IPRs to those it had been using in interferences can also be seen by comparing the PTO's 2012 Trial Practice Guide setting forth procedures for IPRs and other AIA post-grant proceedings with the 2011 Standing Order for contested cases setting forth procedures to be used in interferences. *See* 77 Fed. Reg. 48756 (Aug. 14, 2012) (PTAB Trial Practice Guide); BPAI Standing Order (Mar. 8, 2011), http://www.uspto.gov/sites/default/files/ip/boards/bpai/interf/forms/standingordermar2011.pdf.

may be denied if it does not respond to an alleged ground of unpatentability, (4) claims cannot be broadened via amendment, (5) the motion must be filed before the Board has ruled on patentability, and (6) the patent owner must show that the amended claim is patentable over the prior art. Cuozzo Br. at 29-30. As set forth below, all of these limitations on amending are also present in interferences.

As to (1), in an interference, one may only move to add a claim to an application or patent via a preliminary motion. BPAI, Standing Order (Mar. 8, 2011) (setting forth the Board's procedures for contested cases, including interferences) ¶ 208.5.[9] And in interferences, one may not even move to add a claim without first conferring with the Board and obtaining authorization to file the motion. *Bilstad v. Wakalopulos*, 386 F.3d 1116, 1126-27 (Fed. Cir. 2004).

As to (2), a party is presumptively limited to adding a total of one claim in an interference in response to a preliminary motion by the opposing party that the claims in the party's application or patent are unpatentable, regardless of how many claims the opposing party is alleging are unpatentable. *See Wnek*

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[9] In an interference, one technically is not permitted to amend the claims at all. Rather, one must seek cancel an existing claim and add a new claim including the proposed amended language. Standing Order ¶ 208.5.2. Moreover, the ability to amend one's claims in an interference is on a weaker statutory footing than in IPRs because the statutory provision regarding interferences (35 U.S.C. § 135 (2006)) says nothing about amending claims, while the relevant statutory provision regarding IPRs (35 U.S.C. § 316(d)) explicitly provides that a patent owner is entitled to move to amend its claims.

v. Dobbs, 85 U.S.P.Q.2d 1159, 1160 (B.P.A.I. 2006) ("[g]enerally, as stated above, the default number of claims to be added in a responsive motion is one (1)."); Charles L. Gholz, *A Critique of Recent Opinions in Patent Interferences*, 91 J. Pat. & Trademark Off. Soc'y 1, 4 (2009) ("There is a Severe Limitation on the Number of Claims that One Can Ask to Add in a Responsive Motion").

As to (3), a party seeking to add a claim must explain how it overcomes any patentability problem raised by the other party. Standing Order ¶ 208.5.1.

As to (4), one can only add a claim to an issued patent in an interference by filing a reissue application, and then moving to add the reissue application to the interference. Standing Order, ¶¶ 208.5.1, 208.5.4; *Bamberger*, 55 U.S.P.Q.2d at 1526. And one cannot seek broader claims in an issued patent via a reissue application unless the reissue application is filed within two years of the issuance of the original patent. 35 U.S.C. § 251(d).

As for (5), in an interference, one must seek to amend a claim – by filing a responsive motion after the opposing party has moved to have one or more of the amending party's claims declared unpatentable – before the Board has indicated how it is likely to rule on the patentability challenge. Parties seeking to amend claims in an IPR are arguably better off with respect to this criterion because they do not have to move to amend until after the PTAB has issued its institution decision (37 C.F.R. §§ 42.120(b), 42.121(a)(1)), which gives the patent owner some sense of the PTAB's views on patentability.

And as for (6), in an interference, a patent owner must show that its amended claim is patentable. 37 C.F.R. § 41.208(c); *see also* Standing Order, ¶ 208.5.1.

Amici are not aware of statistics regarding the frequency with which motions to add claims in an interference are granted. But one thing is certain: such motions are often denied, and for a variety of reasons. *See, e.g.*, *Bamberg v. Dalvey*, No. 15-1548, 2016 WL 890682, at **4-5 (Fed. Cir. Mar. 9, 2016) (motion to amend claims properly denied where claim chart showing support was not provided); *Bilstad*, 386 F.3d at 1126-27 (motion to add claims properly denied where movant did not have conference call with Administrative Patent Judge before filing motion); *Wnek*, 85 U.S.P.2d at 1160 (request to add 12 claims properly denied because party had not shown why it needed to add that number of claims instead of the 3 authorized); *Lanuza v. Fan*, 76 U.S.P.Q.2d 1559, 1576-78 (B.P.A.I. 2005) (motion to add broader claims denied because movant had only been authorized to add narrower claims, and motion to add 7th claim denied because movant had only been authorized to add 6 claims); *Davis v. Saito*, 75 U.S.P.Q.2d 1448 (B.P.A.I. 2004) (motion to add claims by adding reissue application denied because claims in reissue application had been rejected over the prior art); *Tseng v. Dorooaian-Shoja*, 2002 WL 390537, at **23-24 (B.P.A.I. 2002) (motion to add new claims denied because they would not cure the deficiencies of the pending claims).

d. Congress Is Presumed to Have Been Aware of the Use of BRI in Interferences

As explained above, the PTO has for decades been using the BRI standard in interferences,[10] adjudicatory proceedings where the patentability of claims in issued patents is determined, and where the ability to amend claims is limited. Thus, before the AIA was enacted, there was long-standing precedent for the PTO using the BRI standard in proceedings having all of the characteristics that Cuozzo contends make IPRs distinctive.

Congress is presumed to have been aware of this backdrop when it passed the AIA. Pet. App. 15a. Congress gave no explicit indication that the BRI standard should not be used in IPRs. Accordingly, it is reasonable to infer that Congress intended for the PTO to use BRI in IPRs. And indeed, the only statement in the legislative history that explicitly discusses the claim construction standard to be used in IPRs assumes that the BRI standard will be utilized. *See* 157 Cong. Rec. S1375 (Mar. 8, 2011) (Kyl).

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[10] It is not clear what the Federal Circuit meant when it stated that interferences use "a variant" of the BRI standard. Pet. App. 18a. Interferences use the same BRI standard used in all PTO proceedings involving applications or unexpired patents. The Court may have been referring to interferences using the BRI standard both in interpreting claims and in interpreting the "count," which is a construct used in interferences to define the disputed subject matter.

2. Congress Gave the PTO the Authority to Issue a Rule Requiring That the BRI Standard Be Used in IPRs

Cuozzo argues that the PTO was not authorized to issue the rule requiring the use of the BRI standard in IPRs (37 C.F.R. § 42.100(b)) because the rule-making authority given to the PTO by the AIA (in 35 U.S.C. § 316) is not broad enough to authorize the PTO to issue such a rule. This is belied by the fact that the PTO had previously issued a rule mandating that BRI be used in interferences (37 C.F.R. § 41.200(b) (2004)) based on rule-making authority that was very similar to the rule-making authority that Congress gave to the PTO regarding IPRs.

The interference BRI rule provided that "[a] claim shall be given the broadest reasonable construction in light of the specification of the application or patent in which it appears." 37 C.F.R. § 41.200(b) (2004).[11] When the PTO issued this rule, it did so pursuant to its rule-making authority set forth in 35 U.S.C. § 2(b)(2). 69 Fed. Reg. 49960, 49996 (Aug. 12, 2004). Section 2(b)(2)(A) gives the PTO the authority to issue rules that "shall govern the conduct of proceedings in the Office."

The AIA gives the PTO very similar authority to issue rules relating to IPRs. Specifically, 35 U.S.C.

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[11] In 1992, the PTO also issued rules (which are still in effect) requiring the use of the BRI standard in determining when prior art is sufficient to establish a *prima facie* case of unpatentability (and thus must be disclosed to the PTO). *See* 37 C.F.R. §§ 1.56(b) and 1.555(b); 57 Fed. Reg. 2021, 2022-23, 2034, 2036 (Jan. 17, 1992).

§ 316(a)(4), entitled "Conduct of inter partes review," gives the PTO the authority to issue rules "establishing and governing inter partes review under this chapter. " Cuozzo itself argues that Section 316(a)(4) gives the PTO the same authority to issue rules for IPRs that Section 2(b)(2) gives it to issue rules for other types of proceedings. Cuozzo Br. at 36-38.

Accordingly, when Congress gave the PTO the rule-making authority in Section 316, there was precedent for the PTO using that same authority to issue a rule requiring the use of the BRI standard in interferences – adjudicative proceedings where the patentability of claims in issued patents is determined, and the ability to amend is limited. Congress is presumed to have been aware of the PTO's previous use of this rule-making authority to issue a rule requiring the use of BRI in interferences. *Lorillard v. Pons*, 434 U.S. 575, 580-81 (1978). The fact that it gave the PTO similar authority for IPRs necessarily leads to the conclusion that Congress intended to give the PTO the authority to issue a rule requiring BRI in IPRs as well.[12]

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[12] In 2010, the PTO cancelled the portion of 37 C.F.R. § 41.200 requiring the use of the BRI standard in interferences. *See* 75 Fed. Reg. 19558 (Apr. 15, 2010). However, this had nothing to do with the fact that the BRI standard was included in the rule. Rather, the rule was cancelled because it required that a claim in an interference be interpreted "in light of the specification or application in which it appears," and then-recent cases had held that there were situations in interferences (where one party had copied claims from the other party's application or patent) where the specification to be consulted in claim interpretation was actually the specification of the other party's application or patent. *Id.*

3. In Creating IPRs, Congress Intended to Facilitate the Elimination of Weak Patents By Improving the *Inter Partes* Reexamination Process, Not to Duplicate District Court Procedures

Cuozzo makes much out of the statement in the AIA's legislative history that IPRs were intended to take the existing *inter partes* reexamination procedure and convert it from an "examinational" format to an "adjudicatory" format. Cuozzo relies on this statement to argue that Congress's over-riding purpose in creating IPRs was to create a PTO procedure for challenging patents that was very similar to – or a "surrogate" for – district court litigation, and that Congress thus must have intended that the PTO use the district court's claim construction standard in IPRs. Cuozzo Br. at 17-18. This is wrong for several reasons.

First, Congress's over-riding purpose in creating IPRs and the other new post-grant proceedings – just as its purpose had been in creating *ex parte* and *inter partes* reexamination – was to provide a relatively quick and inexpensive PTO procedure to eliminate improperly granted patents. The legislative history is replete with comments about the problems caused by the assertion of weak patents. For example, in discussions regarding the bill that became the AIA, Senator Leahy observed that the PTO "too often issues low-quality patents," and commented that:

> The legislation also provides a modernized, streamlined mechanism for third parties who want to challenge recently issued, low-quality patents that should never have issued in the first place. Eliminating these potentially trivial

> patents will help the entire patent system by improving certainty for both users and inventors.

157 Cong. Rec. S1036-37 (Mar. 1, 2011) (Leahy); *see also* 157 Cong. Rec. S1326 (Mar. 7, 2011) (Sessions) ("This will allow invalid patents that were mistakenly issued by the PTO to be fixed early in their life, before they disrupt an entire industry or result in expensive litigation."); 157 Cong. Rec. S5374 (Sep. 7, 2011) (Whitehouse) ("Unfortunately, numerous poor quality patents have issued in recent years, resulting in seemingly endless litigation that casts a cloud over patent ownership.")

Second, the AIA itself shows that Congress clearly did not intend for IPRs to duplicate district court litigation. For example, the AIA provides that the petitioner in an IPR has the burden of proving unpatentability by a preponderance of the evidence. 35 U.S.C. § 316(e). This is in sharp contrast to district courts, where invalidity must be proven by clear and convincing evidence. In addition, patent owners in IPRs are explicitly permitted to amend their claims (35 U.S.C. § 316(a)(9) and (d)), which is not possible in district court. Moreover, discovery in IPRs is limited to depositions of individuals submitting declarations and what is otherwise needed "in the interest of justice." 35 U.S.C. § 316(a)(5). Again, this is very different from district court litigation, which permits broad document and deposition discovery

Third, Congress's more specific intent in creating IPRs was to try to solve the primary problem with *inter*

partes reexamination – namely, that it was too slow.[13] As of the time the AIA was passed, such proceedings took approximately three years.[14] Congress recognized this was a problem because, *inter alia*, when *inter partes* reexamination was ordered, district courts often stayed any parallel infringement litigation until the reexamination was concluded. 154 Cong. Rec. S9989 (Sep. 27, 2008) (Kyl). This had the effect of delaying infringement litigation for many years, to the detriment of the patent owner.

Congress sought to solve this problem by making *inter partes* reexamination proceedings "adjudicatory" instead of "examinational." 157 Cong. Rec. S1376 (Mar. 8, 2011) (Kyl). Contrary to Cuozzo's arguments, however, this did not mean that *inter partes* reexaminations would borrow district court procedures. Indeed, this would not have made sense, as district court patent litigations were on average not resolved much more quickly than *inter partes* reexamination

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[13] Despite being too slow, the use of *inter partes* reexamination "grew sharply over the course of the 2000s," likely due to the success rate, with about half of *inter partes* reexaminations resulting in all claims of the subject patent being cancelled as of September 30, 2010. *See* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539, 603 (2012); U.S. Patent and Trademark Office, *Inter Partes* Reexamination Filing Data, http://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up_EOY2014.pdf (PTO *Inter Partes* Reexam Statistics).

[14] *See* PTO's *Inter Partes* Reexamination Statistics.

proceedings.[15] Rather, the key feature of the "adjudicatory" model was that – just like in interferences – the parties would present their arguments regarding patentability to the Board, with the challenger having the burden of proving unpatentability, and the Board then issuing a final written decision.

In discussing the Patent Reform Act of 2008, an earlier version of the bill that became the AIA, Senator Kyl explained how this "adjudicative" model would enable the PTO to resolve IPRs more quickly than it had been able to resolve *inter partes* reexaminations, and explained that the PTO had indicated it believed that it could comply with the statutory deadlines for IPRs with this model:

> The bill uses an oppositional model, which is favored by PTO as allowing speedier adjudication of claims. Under a reexam system, the burden is always on PTO to show that a claim is not patentable. Every time that new information is presented, PTO must reassess whether its burden has been met. This model has proven unworkable in inter partes reexam, in which multiple parties can present information to PTO at various stages of the proceeding, and which system has experienced interminable delays. Under an oppositional system, by contrast, the burden is always on the petitioner to show that a claim is not patentable.

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[15] *See* PricewaterhouseCoopers LLP, 2011 Patent Litigation Study, at 27 (2011), http://www.pwc.com/us/en/forensic-services/publications/assets/2011-patent-litigation-study.pdf.

> Both parties present their evidence to the PTO, which then simply decides whether the petitioner has met his burden.
>
> If we expect post grant review proceedings to be completed within particular deadlines, I think that it is obligatory that we consult with the agency that is expected to administer the proceedings. In this case, PTO has expressed a strong preference for an oppositional model, and it believes that it can comply with reasonable deadlines if that model is adopted.

154 Cong. Rec. S9987 (Sep. 27, 2008) (Kyl).

The reason the PTO believed that it would be able to complete IPRs within the statutory deadlines was its previous experience with interferences, another adjudicatory proceeding. By adopting procedures very similar to the ones it later adopted for IPRs, the PTO had been able to reduce the average pendency of interferences to 12 months by 2010, with 88% of such proceedings terminated in less than 2 years.[16] Thus, when the PTO told Congress that it wanted an "oppositional model" for *inter partes* reexaminations (as noted in Senator Kyl's comments), it was telling Congress that it wanted to use the procedures that it

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[16] U.S. Patent and Trademark Office, BPAI Statistics – FY 2010 Performance Measures, http://www.uspto.gov/patents-application-process/appealing-patent-decisions/statistics/performance-measures/fy-2010. When the PTO proposed procedures for IPRs, it explicitly noted that it was borrowing certain procedures – such as page limits – from interferences that had enabled the PTO to decide interferences more quickly. *See* 77 Fed. Reg. 7041, 7051-52 (Feb. 10, 2012).

had successfully used in interferences to reduce pendency. And one of the procedures that the PTO had been using in interferences was the BRI standard. Therefore, there is every reason to conclude that Congress intended the PTO to use that same BRI standard in IPRs and other AIA post-grant proceedings.

The House Judiciary Report on the AIA contains another strong indication that eliminating the BRI standard was ***not*** one of the changes that Congress intended to make to *inter partes* reexamination. The Report identifies nine specific "improvements" that the AIA was making to *inter partes* reexamination in creating IPRs, but does not identify eliminating BRI as one of these changes. H.R. Rep. No. 112-98 at 46-47 (2011).

B. The PTO's Use of the BRI Standard in IPRs Deserves Deference Because, *Inter Alia*, the Purposes of the BRI Standard Support Using It in IPRs

There are two purposes behind the BRI standard, both of which warrant its use in IPRs.

First, the BRI standard is intended to serve the public interest by reducing the likelihood that claims will be interpreted more broadly in district court infringement litigation than they were interpreted by the PTO when the claims were found patentable. *See In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). Claims in infringement litigation are presumed valid and must be proven invalid by clear and convincing evidence precisely because they have previously been evaluated by the PTO and found patentable. *See*

Microsoft Corp. v. i4i Ltd. P'ship, 131 S. Ct. 2238 (2011). But if patent claims found patentable by the PTO based on a narrower construction are then given a broader construction in infringement litigation, the whole premise behind this arrangement would disappear. Claims would be given a "benefit of the doubt" that they had not earned. The BRI standard reduces the likelihood of this unfairness.

This justification for the BRI standard is particularly strong in the IPR context because there is a very real danger that the owner of a patent that has survived an IPR will try to have it interpreted as broadly as possible in subsequent infringement litigation. At that point, the accused infringer may be estopped from raising any invalidity arguments that it raised or could have raised in the IPR (35 U.S.C. § 315(e)(2)), and thus the patent owner may believe there is no downside to seeking a broader interpretation than was used in the IPR.[17]

The other purpose of the BRI standard is to encourage patent owners and applicants to use clear language in claims. *See In re Zletz*, 893 F.2d 319, 321-

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[17] Indeed, even with the BRI standard, owners of patents that have survived an IPR petition have often sought – and obtained – a broader construction in subsequent district court litigation. *See, e.g., Depuy Orthopaedics, Inc. v. Orthopaedic Hospital*, No. 3:12-CV-299-CAN, 2016 WL 96164, at **4, 15-16 (N.D. Ind. Jan. 8, 2016); *Not Dead Yet Mfg. Inc. v. Pride Solutions, LLC*, No. 13-C-3418, 2015 WL 5829761, at *10 (N.D. Ill. Oct. 5, 2015); *Kroy IP Holdings, LLC v. Autozone, Inc.*, No. 2:13-cv-888-WCB, 2015 WL 557123, at *4 (E.D. Tex. Feb. 10, 2015). This belies Cuozzo's contention that the BRI standard systematically leads to broader claim construction.

22 (Fed. Cir. 1989). As this Court recently explained, claims should provide clear notice of what is covered and thereby apprise the public of what is still open to them. *See Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014). Ambiguous claim language harms the public by creating a "zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims." *Id.*

When the BRI standard is used, claims that include ambiguous language and thus could be interpreted in multiple ways are interpreted in the broadest reasonable manner. If this leads to the claims being interpreted more broadly than the patent owner or applicant intended and thereby being found unpatentable, the patent owner or applicant can solve the problem by amending its claims to make them clearer.[18] *See Zletz*, 893 F.2d at 321. Patent owners in IPRs have no right to complain about having to amend their claims to make them clearer. By definition, a patent owner in an IPR with ambiguous claims has already been through *ex parte* examination, where it had an unfettered opportunity to present clear language. Such patent owners have nobody but themselves to blame for having squandered that opportunity.

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[18] A patent owner that encounters difficulties in amending its claims in an IPR can always file a reissue application and amend its claims in that application. Indeed, as noted above, this is the procedure that patent owners in interferences have been required to use for many years when they want to amend their claims.

C. Cuozzo Greatly Exaggerates the Impact of the BRI Standard on the IPR Cancellation Rate

Although not directly relevant to the merits, amici feel compelled to point out that Cuozzo greatly exaggerates the impact of the BRI standard. Cuozzo notes that in the completed IPRs to date, some or all claims have been cancelled 87% of the time[19], and asserts without support that "[a] primary reason for the high cancellation rate" is the PTAB's use of the BRI claim construction standard. Contrary to Cuozzo's assertion, the primary reason for the cancellation rate in IPRs is that there are a lot of weak patents. Indeed, this is the very problem that led Congress to create IPRs and other post-grant proceedings in the AIA.

As for why IPRs have been more successful in eliminating weak patents than district court litigation, there are reasons unrelated to the BRI standard.

First, the fact-finder in district court litigation is often a jury, which may understandably be more deferential to a PTO Examiner who allowed a patent in the first place and therefore more reluctant to find a patent invalid than would a specially-trained PTAB judge. Notably, in each of the four cases cited by Cuozzo where the PTAB held a claim invalid after a district court had previously held the same claim not

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[19] IPRs in the pharmaceutical and biotech sector have been slightly less successful than IPRs in other sectors. *See* IPR and Biopharma patents: what the statistics show, Life Sciences Intellectual Property Review, *http://www.lifesciencesipreview.com/article/ipr-and-biopharma-patents-what-the-statistics-show* (Nov. 26, 2015).

invalid, the prior district court decision had been made by a jury. Cuozzo Br. at 33-34.

Second, the pools of patents being considered in IPRs and district court litigation are not the same. The patents asserted in district court are those that a plaintiff believes will withstand invalidity challenges, while the patents challenged in IPRs by definition are ones a party believes are vulnerable enough to warrant an IPR petition. Moreover, the patents challenged in early IPRs – like the Cuozzo patent here – were likely ones that were singled out because they were particularly weak. Once this "low-hanging fruit" is eliminated, the cancellation rate in IPRs may drop. A similar phenomenon happened with *inter partes* reexamination, where the early cancellation rates were high, but then gradually decreased.[20]

That the BRI standard is not the cause of the higher cancellation rate in IPRs is supported by the amicus brief of former Federal Circuit Chief Judge Michel. Judge Michel provides a detailed comparison of the BRI and district court claim construction standards, pointing out that – at least in theory – they are the same in almost all respects, and concludes that "the putative claim construction standard between courts and the Patent Office is the same," with "the one minor difference" being that the courts sometimes hold that subject matter has been disclaimed during prosecution even if the claim language does not provide a "textual

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[20] The PTO's statistics shows that the percentage of *inter partes* reexaminations in which all claims were cancelled steadily decreased from 67% in 2008 to 44% in 2011 to 31% in 2014. *See* PTO's *Inter Partes* Reexamination Statistics.

hook" for such disclaimer.[21] Michel Amicus Br. at 6. Given these similarities, the higher cancellation rate in IPRs should not be attributed to the BRI standard.[22]

II. The PTAB's Decision to Institute an IPR is Not Reviewable

A. The Language of Section 314(d) Precludes Review of IPR Institution Decisions

Section 314(d) provides that the PTO's determination on "whether to institute" an IPR is "final and nonappealable." This provision unambiguously precludes review of institution decisions.

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[21] Judge Michel goes on to assert that, in practice, the PTAB applies the BRI standard more broadly than it should. Michel Amicus Br. at 8-10. However, amici submit that this is not reflected by the numbers, which show a high Federal Circuit affirmance rate for PTAB decisions. *See* Fed. Circ.'s Embrace of PTAB to Fuel More AIA Reviews, Law360 (Mar. 8, 2016), http://www.law360.com/articles/767549/fed-circ-s-embrace-of-ptab-to-fuel-more-aia-reviews (reporting an 88% affirmance rate). If the PTAB was applying BRI more broadly than it should, one would expect a lower affirmance rate.

[22] Ironically, although Cuozzo depicts the BRI standard as one that systematically interprets claims too broadly, ***Cuozzo's complaint with the PTAB's construction here is not that it is too broad but that it is too narrow***. Pet. App. 21a. Cuozzo argues that if the PTAB had interpreted the claims currently in Cuozzo's patent more broadly, the PTAB would then not have rejected Cuozzo's motion to submit amended claims on the grounds that the amended claims were broader than the claims currently in the issued patent. Pet. App. 29a. Cuozzo's complaint with the PTO's claim construction has nothing to do with the patentability issue. Pet. App. 23a.

Cuozzo's contentions about the provision do not withstand scrutiny. Cuozzo first contends that the provision does not preclude all judicial review of decisions to institute, and that it instead provides that such decisions are not ***immediately*** appealable, but can be reviewed after the PTAB issues its final written decision. Cuozzo Br. at 46. However, this cannot be correct because even without Section 314(d), a decision to institute would not be immediately appealable due to the general principle that only "final agency action" can be appealed. 5 U.S.C. § 704. Cuozzo also contends that the provision precludes all judicial review of decisions ***not*** to institute. Cuozzo Br. at 49. However, this cannot be correct either because there is no logical basis for construing the statute to preclude all judicial review of decisions ***not*** to institute, but as only delaying judicial review of decisions to institute. The text of the statute provides no such basis, and Cuozzo does not offer one.

The legislative history of very similar language in the portion of the patent statute regarding *inter partes* reexamination – on which the language in Section 314(d) was apparently based – demonstrates that Congress intended the "final and nonappealable" language to preclude all judicial review. Specifically, 35 U.S.C. § 312(a) (2006), regarding requests for *inter partes* reexamination, provided that "the Director shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request." 35 U.S.C. § 312(c) (2006) then provided that "[a] determination by the Director under subsection (a) shall be final and non-appealable." Thus, Section 312(c) had the same "final and nonappealable" language as Section 314(d),

although Section 312(c) had a narrower definition of ***what*** was "final and nonappealable." While Section 314(d) makes the decision regarding "whether to institute" an IPR "final and nonappealable," Section 312(c) only made the PTO's decision on the "substantial new question of patentability" issue "final and non-appealable."

The legislative history of Section 312(c) shows that Congress intended the "final and nonappealable" language to preclude all judicial review of the "substantial new question of patentability" determination. Specifically, the Conference Report (reflecting input from both the Senate and House) on the legislation that added *inter partes* reexamination to the patent statute states as follows about Section 312:

> Similar to section 303 of existing law [regarding *ex parte* reexamination], new section 312 of the Patent Act confers upon the Director the authority and responsibility to determine within three months after the filing of a request for inter partes reexamination, whether a substantial new question affecting patentability of any claim of the patent is raised by the request. ***Also, the decision in this regard is not subject to judicial review.***

145 Cong. Rec. H11769, H11784, H11805 (Nov 9, 1999) (Conference Report on H.R. 1554, Intellectual Property and Communications Omnibus Reform Act of 1999) (emphasis added); *see also* 145 Cong. Rec. S14720 (Nov 17, 1999) (same).

Consistent with Congressional intent, at least one court has held that the "final and non-appealable"

language in Section 312(c) bars all judicial review of the "substantial new question of patentability" decision in *inter partes* reexaminations, but does not bar review of other issues relating to the decision to initiate such reexamination. *See, e.g., Callaway Golf Co. v. Kappos*, 802 F Supp. 2d 678, 685 (E.D. Va. 2011) (permitting review of PTO's decision to not vacate an *inter partes* reexamination based on the argument that the requester was barred from making the request by a previous settlement agreement, while stating "Section 312(c) only ***exempts from judicial review*** the PTO's substantive determination that a reexamination application raises a 'substantial new question of patentability.'") (emphasis added).

Cuozzo suggests that the Federal Circuit's treatment of similar "final and non-appealable" language in the portion of the patent statute regarding *ex parte* reexamination shows that the "final and nonappealable" language permits some review. Cuozzo Br. at 50-51. But a closer inspection of the language relied on by Cuozzo – and what that language makes "final and non-appealable" – shows that Cuozzo is wrong.

Section 303(a) provides that after a request for *ex parte* reexamination is filed, "the Director shall determine whether a substantial new question of patentability affecting any claim of the patent is concerned is raised by the request." Section 303(c) then provides that "[a] determination by the Director pursuant to subsection (a) of this section that ***no*** substantial question of patentability has been raised will be final and nonappealable." 35 U.S.C. § 303(c) (emphasis added). Section 303(c) is thus very clear

that only a decision that there is "no" substantial new question of patentability is "final and nonappealable." A decision that such a question exists – and the ordering of reexamination – is not "final and nonappealable."

Accordingly, to the extent that the Federal Circuit has previously reviewed PTO decisions that there ***is*** a substantial new question of patentability in an *ex parte* reexamination, that is irrelevant because such review is not precluded by the statute.[23] Cuozzo has not pointed to any decisions where courts reviewed the PTO's decision that there was no substantial new question of patentability.

Section 314(d) retains the "final and nonappealable" language of its predecessors, Sections 303(c) and 312(c), but goes further in delineating what is exempted from judicial review. Rather than making the Director's determination regarding whether a "substantial new question of patentability" exists "final and nonappealable," Section 314(d) provides that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." Thus, it is the determination on "whether to institute an inter partes review" that is "final and nonappealable," meaning that the entire

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[23] Notably, however, at least one court has held that the "final and non-appealable" language in Section 303(c) does preclude any "judicial review" of a decision that an *ex parte* reexamination request does ***not*** raise a substantial new question of patentability. *See Heinl v. Godici*, 143 F Supp. 2d 592, 597 (E.D. Va. 2001) (Section 303(c) "bars judicial review of PTO decisions to *deny* reexamination") (emphasis in original).

determination – regardless of what it is based on – is not reviewable.

B. Precluding Review of Institution Decisions Comports With Congressional Intent

Making the decision on whether to institute an IPR unreviewable comports with the objectives of the AIA. Congress repeatedly indicated that it wanted to create a speedy procedure for challenging patents. Indeed, lack of speed was the very problem with *inter partes* reexaminations that Congress was attempting to solve when it created IPRs. If the Federal Circuit could review the threshold decision on whether to institute an IPR on review of the final written decision and dismiss the IPR based on technical defects in the petition having no bearing on whether the holding of unpatentability is correct, this objective would be thwarted.

Consider what this would mean in the present case. Years after the original IPR petition was filed, the IPR proceeding would be dismissed, and Cuozzo's patent would be left in place regardless of whether the PTAB's holding that the claims are unpatentable was correct. A party then seeking to challenge that patent through the IPR process would have to begin the process anew, and thus more years would pass before these unpatentable claims were actually cancelled. In the instant case, the original petitioner (Garmin) settled, and thus it presumably would not try to file a new petition if this IPR was dismissed. If the original petitioner had not settled, however, and this IPR was dismissed as Cuozzo requests, Cuozzo would surely argue that the petitioner was barred from filing a new IPR petition correcting the technical defects in the

original petition because more than a year had passed since it was first sued for infringement of the patent at issue in the IPR. *See* 35 U.S.C. § 315(b). This cannot be what Congress intended.

Delays of this sort are particularly troubling to amici. ANDA applicants are often reluctant to launch their products until they have "patent certainty" – *i.e.*, until after there has been a final decision that the brand-name drug maker's relevant patents are not infringed or invalid. This is because the damages that will be sought for "at risk" product launches (before such a decision) are potentially quite significant, and often greater than the profits that the ANDA applicant could hope to make.

If patent owners could have the courts revisit the original decision to institute and have IPRs dismissed because of technical defects in the original petition without reaching the merits, this would prevent Hatch-Waxman defendants from quickly obtaining patent certainty. For example, if the claims in a patent were declared unpatentable by the PTAB but the Federal Circuit dismissed the IPR because of defects in the original petition, a Hatch-Waxman defendant might not be willing to launch its ANDA product until a new petition was filed, the PTAB again found the claims unpatentable, and that ruling was affirmed by the Federal Circuit. This would harm the public – and undermine the purpose of the Hatch-Waxman Act – by delaying the launch of more affordable generic drugs.

CONCLUSION

For the foregoing reasons, the judgment of the Court of Appeals should be affirmed.

Respectfully submitted,

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Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE
Respondent.

On Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit

BRIEF OF THE INTELLECTUAL PROPERTY LAW ASSOCIATION OF CHICAGO AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

Page

I. INTEREST OF AMICUS CURIAE 1

II. SUMMARY OF ARGUMENT 2

III. ARGUMENT 6

A. The AIA's Inter Partes review process is intended to promote economic efficiency, not to invalidate patents. 6

1. The AIA's inter partes review marks a fundamental change from past procedures. 7

2. The Federal Circuit agrees that the AIA's inter partes review is a new procedure. 8

B. The IPR amendment process is illusory and bears no resemblance to the freedom to amend during prosecution. 10

C. The AIA's goal of economic efficiency requires a clear, single standard of PTAB judicial review. 12

D. This Court should require the PTAB to employ the same claim construction standard as this Court and the Federal Circuit – "plain and ordinary meaning" – in all IPR proceedings. 14

1. IPRs are surrogates for litigation. 14

2. Applying differing standards in differenet forums would be incoherent. 15

3. Nothing in the AIA requires a different standard. 16

IV. CONCLUSION 17

TABLE OF AUTHORITIES

Page

Cases:

Belden Inc. v. Berk-Tek LLC, Nos. 2014-1574, 1576 (Fed. Cir. Nov. 5, 2015) 10

Cmty. For Creative Non-Violence v. Reid, 490 U.S. 730 (1989).....16

Ethicon Endo-surgery, Inc. v. Covidien, LP, No. 2014-1771, 2016 WL 145576 (Fed. Cir. Jan. 13, 2016 9

Idle Free Systems, Inc. v. Bergstrom, Inc., Case IPR2012-00027 (JL), 2013 WL 5947697 (June 11, 2013) 11

In re Buszard, 504 F.3d 1364 (Fed. Cir. 2007) 13

In re Cuozzo Speed Technologies, LLC, 793 F.3d 1268 (Fed. Cir. 2015).....6, 14, 15

In Re Prater, 415 F.2d 1393 (Ct. Cust. App. 1969) 13

In re Rambus, Inc., 753 F.3d 1253 (Fed. Cir. 2014) 16

In re Zletz, 893 F.2d 319 (Fed. Cir. 1989) 13

Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996).....15

Markman v. Westview Instruments, Inc., 52 F.3d 967 (Fed. Cir. 1995) 12, 15

Nautilus, Inc. v. Biosig Instruments, Inc., 572 U. S. ____, 134 S.Ct. 2120 (2014),.....15

Phillips v. AWH Corp., 415 F.3d 1303 (Fed. Cir. 2005) (en banc) 3, 14, 15, 16

Teva Pharm. USA, Inc. v. Sandoz, Inc., 135 S. Ct. 831, 836 (2015) 14

Constitutional provisions:

U.S. Const., Art I, Sec, 8, cl. 8. 6

Statutes and regulations:

America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) ..... 2, passim

Patent Act, 35 U.S.C. 1 et seq.:

35 U.S.C. 6(c) 9

35 U.S.C. 112(b) 15

35 U.S.C. 311(b) 9

35 U.S.C. 316(a)(5) 9

35 U.S.C. 316(a)(8) 9

35 U.S.C. 316(a)(10) 9

35 U.S.C. 316(a)(11) 10

35 U.S.C. 316(c) 9

35 U.S.C. 141(c) 10

37 C.F.R.:

42.51 9

42.70 9

42.120 9

42.121 ..... 5, 11

Miscellaneous:

157 Cong. Rec. S7413 (Nov. 14, 2011) (Statement of Rep. Smith) 7, 10

77 Fed. Reg. 7080, 7081 (Feb. 10, 2012) 7

Cert. Pet., Cuozzo Speed Technologies, LLC, v. Michelle K. Lee, No. 15-446 (Oct. 6, 2015) 7

H. R. Rep. No. 112-98, pt. 1(2011) 6, 7

Gregory Dolin, Dubious Patent Reform, 56 B.C. L. Rev. 881 (2015) 3

Paul R. Michel, Why Rush Patent Reform?, 7 Landslide 49 (2015) 3

"PTAB Allows Motion to Amend in IPR Challenging Neste Oil Patent," MANAGING INTELLECTUAL PROPERTY, June 15, 2015, http://www.finnegan.com/news/newsdetail.aspx?news=d0d18aee-10e8-4511-bfa5-3b2962da1a39 11

Sarnoff & Manzo, An Introduction to, Premises of, and Problems With Patent Claim Construction, in PATENT CLAIM CONSTRUCTION IN THE FEDERAL CIRCUIT 9 (E. Manzo ed. 2014).. ..... 6, 12, 15

U.S. Patent and Trademark Office, Manual of Patent Examining Procedure (9th ed., Mar. 2014) 13

U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics 1/31/2016, http://www.uspto.gov/sites/default/files/documents/2016-01-31%20PTAB.pdf. 10-11

I. INTEREST OF *AMICUS CURIAE*

The Intellectual Property Law Association of Chicago ("IPLAC") submits this brief as *amicus curiae* in support of neither party on the first question presented in the case.[1,2,3] Founded in 1884, the Intellectual Property Law Association of Chicago is a voluntary bar association of over 1,000 members who practice in the areas of patents, trademarks, copyrights, trade secrets and the legal issues they present. Located in Chicago, a principal forum for U.S. patent litigation, IPLAC is the country's oldest bar association devoted exclusively to intellectual property matters. Its members include attorneys in private and corporate practices before federal bars throughout the United States, as well as

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[1] Pursuant to Supreme Court Rule 37.6, no counsel for a party authored this brief in whole or in any part or made a monetary contribution intended to fund preparation or submission of the brief, and no person other than the *amicus curiae*, its members, or its counsel, made such a monetary contribution.

[2] In addition to the required statement of footnote 1, IPLAC adds that after reasonable investigation, IPLAC believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than IPLAC, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[3] Pursuant to Supreme Court Rule 37.2, counsel of record consented to this brief.

the U.S. Patent and Trademark Office and the U.S. Copyright Office. IPLAC represents both patent holders and other innovators in roughly equal measure. In litigation, IPLAC's members are split roughly equally between plaintiffs and defendants. As part of its central objectives, IPLAC is dedicated to aiding in the development of intellectual property law, especially in the federal courts.[4]

II. SUMMARY OF ARGUMENT

IPLAC supports neither party, but supports that the same standard applies to claim construction regardless of forum. The 2011 Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284, was designed in large measure to improve the climate for investment and industrial activity. Its thrust is twofold: improving the quality of patents in the system and reducing unnecessary litigation costs. It attempts the former by removing invalid patents from enforceability. It attempts the latter by shifting patent validity disputes from the courts to the USPTO, the governmental agency charged with granting or denying patents.

The AIA therefore established a new post-grant adjudicatory process for challenging patent validity under Sections 102 and 103 of the Patent Act. 235 U.S.C. §§ 102, 103. To administer the process, the AIA created a new body called the Patent Trial and Appeal Board, PTAB, or IPR Board, staffed with

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[4] Although over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way regarding this brief.

administrative law judges. Located within the existing Patent and Trademark Office, the PTAB employs an adjudicative proceeding known as *inter partes* reviews, or IPR. IPR is intended as a less expensive surrogate for litigation. IPR has no relationship to the previous practice of patent re-examination within the USPTO.

As Petitioner documented in support of its request for certiorari, IPRs to date have resulted in an unexpectedly high rate of cancellation of patent claims. Pet. Br. in Support of Granting Certiorari (I). One reason is presumably that the PTAB applies a different and broader standard of claim construction than the federal courts. *See* Paul R. Michel, *Why Rush Patent Reform?* 7 LANDSLIDE 49, 51 (2015); Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. Rev. 881, 916 (2015). By construing claims more broadly than the courts, the PTAB necessarily considers a larger universe of prior art. That broader standard also heightens the impact of a given piece of art: because the claims are construed more broadly, they encompass more prior art. This concomitantly increases the likelihood of finding a patent either anticipated under Section 102 or obvious under Section 103.

The PTAB's claim construction standard for *inter partes* review is decidedly inconsistent with the standard used by federal courts. When construing claims in accordance with applicable law, federal courts must construe claims according to their plain and ordinary meaning. *Phillips* v *AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc). An IPR Board, however, applies the "broadest reasonable construction" consistent with the specification.

Promoting the progress of the useful arts requires not only awarding valid patents but also ensuring a non-arbitrary system for challenging or upholding them. A non-arbitrary system requires that the standards for challenging or upholding validity be the same regardless of the chosen forum. To achieve its constitutional purpose, the patent system must also strike an appropriate balance between rights holders and other innovators. It cannot, and should not, attempt to tilt the playing field based on popular perceptions or political winds. IPLAC therefore supports the position that the proper standard for claim construction in assessing validity of an issued patent does not depend on whether the forum is a district court or the PTAB.

Nothing in the AIA, moreover, requires that IPR Boards employ a "broadest reasonable" claim construction. To the contrary, such construction is an anachronistic holdover from the USPTO's examination and re-examination processes. In those proceedings, the USPTO examines prior art and raises potential arguments against patentability using the "broadest reasonable interpretation" of the claims consistent with the patent's specification. The applicant then has the opportunity to amend its claims as a matter of right in view of the prior art to point out more particularly the invention claimed.

In this give-and-take examination process, a "broadest reasonable interpretation" makes perfect sense. In the context of the AIA's *inter partes* reviews it does not. *See In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984) ("An applicant's ability to amend his claims to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued

patents. When an application is pending in the PTO, the applicant has the ability to correct errors in claim language and adjust the scope of claim protection as needed.") (emphasis added).

IPRs differ substantially from USPTO patent examinations and pre-AIA re-examinations. The IPR process is adversarial, not examinational. Nor is an IPR Board authorized to conduct its own prior art searches. Further, rather than providing the patent owner with the right to amend claims "as needed," the ability to amend claims is extremely limited. *Id.*, *see* 37 C.F.R. 42.121 (new claims limited to one-for-one replacement of existing claims; burden on patentee to demonstrate patentability of claims affirmatively before amendment allowed). In practice, the ability to amend is illusory.

Thus, an IPR lacks the back-and-forth of patent prosecution or re-examination. Rather, an IPR is adversarial and adjudicatory – albeit more streamlined than district court litigation. Its exclusive central features are (1) "non-notice" (fact-specific) pleading by challengers; (2) fact-specific responsive pleading by patent owners; (3) a maximum of seven hours of cross-examination of any experts whose affidavits the parties have submitted; (4) a reply, and (5) a one hour lawyers' oral argument with no "full" record.

Fundamentally unlike patent examinations, IPRs involve only patents that have already been granted. As such, under the Constitution, the patent holder already owns a property right with established metes and bounds. Respect for that property right, without the freedom to amend that is present in examination and re-examination,

demands a fundamentally different kind of review from patent examination and re-examination.

Like litigation, the AIA's IPR process is adjudicatory. In litigation, in both the district courts and on appeal, the consistent claim construction standard is "plain and ordinary meaning." *See generally* Sarnoff & Manzo, An Introduction to, Premises of, and Problems with Patent Claim Construction, in PATENT CLAIM CONSTRUCTION IN THE FEDERAL CIRCUIT 9 (E. Manzo ed. 2014). IPLAC therefore supports urging this Court to clarify that the litigation standard – "plain and ordinary meaning" – should apply in IPRs as well.

III. ARGUMENT

A. The AIA's *Inter Partes* review process is intended to promote economic efficiency, not to invalidate patents.

The purpose of U.S. patent law is "to promote the Progress of Science and the Useful Arts ... " U.S. CONST., Art I, Sec, 8, cl. 8. The AIA is consistent with that purpose. It seeks to improve the climate for investment and industrial activity by improving the quality of patents and by reducing unnecessary litigation costs. *See* H. R. Rep. No. 112-98, pt. 1, at 39-40 (2011); *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 1285 (Fed. Cir. 2015) (Newman, J., dissenting); Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080, 7081 (Feb. 10, 2012).

By their very nature, invalid patents exclude from the marketplace competitors who merely

practice known art or obvious improvements. Excluding such competitors impedes the progress of the useful arts by permitting "owners" of invalid patents to monopolize technologies that are already known or obvious, or to charge others monopoly prices to practice them.

At the same time, Congress concluded in enacting the AIA that the existing patent litigation system unnecessarily imposes unneeded litigation and ancillary costs. *See* H.R. Rep. No. 112-98, Pt. 1, at 39-40 (2011). Those unneeded costs frustrate the purpose of the Constitution's patent clause and undermine the value of the U. S. patent system.

1. The AIA's *inter partes* review marks a fundamental change from past procedures.

By enacting the AIA, Congress created a streamlined adjudicatory process through *inter partes* review. Central to the AIA's IPR scheme is having a reliable early indicator of a patent's quality. Thus, after a patent issues, the AIA makes available to parties that seek it an *inter partes* review by technology-trained, patent-savvy adjudicators. *See* 157 Cong. Rec. S7413 (Nov 14, 2011) (Statement of Rep. Smith).

Under pre-existing law, a party could challenge an issued patent's validity through a different kind of *inter partes* re-examination. *See* Cert. Pet. 2-3. But that process, unlike IPR, was examinational in nature. Specifically, re-examination allowed patent examiners to search for potentially invalidating prior art. But re-examination also freely permitted amendments by the patent owner in response to

challenges or adverse decisions. *See* 35 U.S.C. § 305 (pre-AIA) ("In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301, or in response to a decision adverse to the patentability of a claim of a patent."). IPRs do not permit that.

2. The Federal Circuit agrees that the AIA's *inter partes* review is a new procedure.

The courts agree with Congress that the new *inter partes* review is distinct from pre-AIA patent re-examination procedures. *E.g., Nike, Inc. v. Adidas AG*, No. 2014-1719, 2016 WL 537609, at *3 (Fed. Cir. Feb. 11, 2016) ("the very nature of IPRs ... [is] distinctly different from a typical PTO examination or reexamination where a patent examiner performs a prior art search and independently conducts a patentability analysis of all claims, whether newly proposed or previously existing") (internal quotations omitted). Specifically, in contrast to *inter partes* re-examination, IPR is an adjudicatory proceeding.

As Petitioner explains in its opening petition brief, under the new IPR system, a person other than the patentee initiates a validity challenge by filing a petition with the PTO. (Pet. Br. at 4.) The patentee may then file a preliminary response "that sets forth reasons why no inter partes review should be instituted." 35 U.S.C. 313. Within three months after that preliminary response is due, a panel of three judges of the board decides whether to institute IPR. 35 U.S.C. 314(b); 37 C.F.R. 42.108. (Although

the AIA actually charges the PTO director with deciding whether to institute IPR and the board with adjudicating ensuing trials, the director has delegated authority for instituting IPR to the Board, a practice the Federal Circuit recently approved. *See Ethicon Endo-surgery, Inc. v. Covidien, LP*, No. 2014-1771, 2016 WL 145576, at *1 (Fed. Cir. Jan. 13, 2016. Thus, as Petitioner point out, the Board's authority over the entire IPR process lacks any internal independent check. (Pet. Br. at 4, n. 2).)

If the Board initiates the IPR, the patentee may respond with particularity to the petition and file supporting affidavits or declarations. *See* 35 U.S.C. 316(a)(8); 37 C.F.R. 42.120. If the patentee responds, petitioner may conduct limited discovery, including depositions of the patentee's declarants, and may file a reply. *See* 35 U.S.C. 316(a)(5), (13); 37 C.F.R. 42.51. Either party may request an oral hearing. *See* 35 U.S.C. 316(a)(10); 37 C.F.R. 42.70. A panel of at least three administrative patent judges conducts the hearing. *See* 35 U.S.C. 6(c), 316(c). The proceeding excludes live witnesses and relies on the parties' paper submissions and attorney argument. *See* 35 U.S.C. 316(a)(10); 37 C.F.R. 42.70.

Patent examination of necessity considers patentable subject matter under Section 101. In contrast, IPR arguments are limited to Section 102 novelty and Section 103 obviousness. 35 U.S.C. 311(b). Prior art is limited to patents and printed publications. *Id.* The IPR process streamlines and stages discovery and, absent good cause shown, requires a final written decision within twelve months. 35 U.S.C. 316(a)(11). IPR decisions of the PTAB are directly reviewable by the U. S. Court of Appeals for the Federal Circuit. 35 U.S.C. 141(c).

In sum, to improve patent quality and to reduce litigation costs, the AIA created IPRs as "an inexpensive and speedy alternative to litigation." 157 Cong. Rec. S7413 (Nov. 14, 2011) (Statement of Rep. Smith). The process bears little, if any, resemblance to any previous proceedings within the USPTO. *Cf. Belden Inc. v. Berk-Tek LLC*, Nos. 2014-1574, -1576 (Fed. Cir. Nov. 5, 2015), slip. op. at 8-9 (description of process).

B. The IPR amendment process is illusory and bears no resemblance to the freedom to amend during prosecution.

The core of the Patent Office's argument for applying the "broadest reasonable interpretation" to claim construction is that "the standard's applicability does not turn on whether a proceeding is adversarial, but on whether the language of the patent claim is still subject to amendment." Respondent's Cert. Opposition 12. But that theoretical opportunity to amend is in practice illusory.

In theory, the AIA provides applicants with one – and only one – conditional opportunity to amend the challenged claims. 35 U.S.C. 316(d)(1) ("patent owner may file 1 motion to amend the patent"). In reality, such motions are almost never granted. Since the AIA took effect in September 2012, parties have filed well over 4,000 IPR petitions. U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics 1/31/2016, *available at* http://www.uspto.gov/sites/default/files/documents/2016-01-31%20PTAB.pdf. In those 4,000 cases, Patent Owners have filed motions to amend 86 times.

As of June 30, 2015, however, the PTAB had allowed motions to amend in only five IPR proceedings. BIO Cert. Amicus Br. 11; *see* "PTAB Allows Motion to Amend in IPR Challenging Neste Oil Patent," MANAGING INTELLECTUAL PROPERTY, June 15, 2015, *available at* http://www finnegan.com/news/newsdetail.aspx?news=d0d18aee-10e8-4511-bfa5-3b2962da1a39. Thus, although the AIA theoretically contemplates amendments in IPR proceedings, the practical right to amend has been largely lost. *Cf. Weems v. United States*, 217 U.S. 349, 373 (1910) ("Rights declared in words might be lost in reality.")

Even if the Patent Office were to grant more amendments, the procedural hurdles confronting a patent owner would remain. Absent a showing of good cause, a patent owner could still bring only one motion to amend, and only after conferring with the Board. 37 C.F.R. 42.121(a), (c). This stands in stark contrast to the give and take of a normal examination or re-examination process. In short, the process of amending claims in an IPR bears no resemblance to the freedom to amend that exists during examination or re-examination.

Equally important, the Board has now shifted significant burdens to the patent owner. The patent owner must first "show a patentable distinction of each proposed substitute claim over the prior art." Then the patent owner must "persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner." *Idle Free Sys., Inc. v. Bergstrom, Inc.*, IPR2012-00027, Paper 26, at 7 (P.T.A.B. June 11, 2013). This again is vastly different from both examination and re-

examination. There, the patent owner is free to amend claims without seeking patent examiner approval, and the burden of disproving patentability lies initially with the examiner.

When considering the actual process of amending claims in and IPR, therefore, the Patent Office's proffered justification for applying the "broadest reasonable interpretation" rings hollow.

C. The AIA's goal of economic efficiency requires a clear, single standard of PTAB judicial review.

To achieve the AIA's aims of economic efficiency and reduced litigation costs, two adjudicative bodies reviewing the same patent's validity over the same prior art should obviously reach the same result. It would manifestly frustrate the intent of Congress and the purpose of the Constitution's patent clause to do otherwise. All adjudications of patent validity therefore require a clear, single standard of review, irrespective of the reviewing body.

As with patent infringement, the prerequisite for determining patent validity is claim construction. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 996 n. 7 (Fed. Cir. 1995) (Mayer, J., concurring) ("A claim must be construed before determining its validity just as it is first construed before deciding infringement"), *aff'd*, 517 U.S. 370 (1996); *see generally* Sarnoff & Manzo, An Introduction to, Premises of, and Problems With Patent Claim Construction, in PATENT CLAIM CONSTRUCTION IN THE FEDERAL CIRCUIT 9 (E. Manzo ed. 2014) ("Patent claims ... should be construed from an objective

perspective of a [skilled artisan], based on what the applicant actually claimed, disclosed, and stated during the application process.") A patent's claims determine its metes and bounds and therefore what distinguishes it from the prior art. This establishes novelty; that is, what makes the patent neither anticipated under Section 102 nor obvious under Section 103.

Yet without definitive guidance from the Congress or this Court, the PTAB has been construing patent claims in IPRs under the standard PTO examiners have used in examining patents before they issue. *See, e.g., In Re Prater*, 415 F.2d 1393, 1405 (Ct. Cust. App. 1969) ("[C]laims yet unpatented are to be given the broadest reasonable interpretation consistent with the specification during the examination of a patent application since the applicant may then amend his claims, the thought being to reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified."); *In re Buszard,* 504 F.3d 1364, 1366–67 (Fed. Cir. 2007) ("[T]he patent examiner and the applicant, in the give and take of rejection and response, work toward defining the metes and bounds of the invention to be patented."); *In re Zletz,* 893 F.2d 319, 322 (Fed. Cir. 1989) ("During patent prosecution is when claims can be amended, ambiguities should be recognized, scope and breadth of language explored, and clarification imposed."); *see generally* U.S. Patent and Trademark Office, Manual of Patent Examining Procedure (9th ed., Mar. 2014) § 2111 (requiring application of the "broadest reasonable interpretation" to pending claims).

But district courts are bound by this Court's and the Federal Circuit's case decisions to give claims their "plain and ordinary meaning." *Phillips*, 415 F.3d at 1312. The difference between the two is believed to be one reason for the alarmingly high rate of IPR claims cancellation to date. According to Petitioner, as high as 85% of all IPRs result in cancelling at least one claim. Pet. Br. in Support of Certiorari (I).

At best, the application of two different standards invites confusion and forum shopping. Because the IPR board is a surrogate for the district court, the two standards should be the same.

D. This Court should require the PTAB to employ the same claim construction standard as this Court and the Federal Circuit – "plain and ordinary meaning" – in all IPR proceedings.

1. IPRs are surrogates for litigation.

Congress could not be clearer that the IPR process should be a cost-effective surrogate for litigation. *In re Cuozzo Speed Technologies*, 793 F.3d at 1285 (Newman, J., dissenting). Both administrative adjudication under the AIA and district court adjudication are reviewable by the United States Court of Appeals for Federal Circuit. Although factual determinations underpinning the district court's claim construction may be entitled to deference, *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 574 U.S. ___, 135 S. Ct. 831, 836 (2015), the Federal Circuit reviews all legal aspects of the claim construction *de novo*. That *de novo* review, as does

the district court's construction, requires giving the claims their plain and ordinary meaning. *Phillips*, 415 F.3d at 1312; *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

A valid patent must "distinctly claim" the inventor's invention. 35 U.S.C. § 112(b). A proper claim construction is therefore an essential element of promoting the progress of the useful arts. Specifically, a proper claim construction is central not only to an infringement analysis but also to a patent's validity. *Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 U. S. ____, 134 S.Ct. 2120, 2128 (2014) (citing Sarnoff & Manzo, *supra*). While the former determines the scope of the patent holder's right to exclude, the latter determines the right to exclude at all.

2. Applying differing standards in differenet forums would be incoherent.

Applying differing standards to a claim construction reached under an IPR from one reached by a district court would be incoherent. In and of itself, that would mean that the patent challenger's choice of forum – *i.e.*, whether to file IPR petition or a federal lawsuit – could be dispositive, up to and including the Federal Circuit level. More important, it would unacceptably permit differing tribunals, both created by Congress, to reach differing results on the same evidence. *In re Cuozzo Speed Technologies, LLC*, 793 F.3d at 1285 (Newman, J., dissenting).

Consistent with the language and intent of the AIA, a coherent approach would be to apply the same

claim construction standard with which district courts and the Federal Circuit are already familiar. That standard is the "plain and ordinary meaning" of the claim language to one of ordinary skill in the art. *Phillips*, 415 F.3d at 1312. That standard is particularly appropriate under the AIA because of the limited opportunity, described above, for claim amendment. As the majority below itself recognized in both its original and amended opinions, even the USPTO does not employ the "broadest reasonable interpretation" when re-examining the claims of an expired patent – precisely because there the patentee is unable to amend the claims. *In re Cuozzo*, 793 F.3d at 1276 n.6 (citing *In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014)).

3. Nothing in the AIA requires a different standard.

Nothing in the AIA, moreover, requires the IPR Board to employ the "broadest reasonable interpretation" for claim construction. To the contrary, a simple panel majority of two judges below decided that Congress "impliedly approved" the rule merely by creating the new IPR proceedings. *Id.* at 1277.

As this Court has long recognized, however, "Congress' silence is just that – silence." *Cmty. For Creative Non-Violence v. Reid*, 490 U.S. 730, 749 (1989). Here, the purpose of Congress was to create a streamlined alternative to district court litigation. As with district court litigation, the process is adjudicative, reviewable by the Federal Circuit. If the goal is to reach the same result on claim constructions, then the standard should be the same.

Indeed, if the standard is not the same, claim construction approaches and the law directed to claim construction will become increasingly muddled. Inevitably, law developed and refined by the Federal Circuit when addressing district court claim constructions under the "plain and ordinary meaning" standard will diverge from that arising when the Federal Circuit reviews decisions based on the "broadest reasonable construction" standard. This would be a disservice to the patent community, has no place in patent law, and has no grounding in the AIA.

IV CONCLUSION

For the reasons above, the Court should clarify that the proper standard for claim construction in IPR proceedings, as in district court litigation, is the "plain and ordinary meaning" of the claims.

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IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, Under Secretary of Commerce for Intellectual Property and Director, Patent and Trademark Office,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

INTEREST OF *AMICUS CURIAE* 1

INTRODUCTION AND SUMMARY OF ARGUMENT 2

ARGUMENT 7

I. THE PROPER CLAIM CONSTRUCTION STANDARD FOR *INTER PARTES* REVIEWS IS THE JUDICIALLY CREATED PLAIN AND ORDINARY MEANING STANDARD 7

A. The Standards Applied in IPR Significantly Impact a Company's Ability to Protect Its Product Development Investments 7

B. Congress Expressly Provided for the Director to Use the Broadest Reasonable Interpretation Standard in *Inter Partes* Reexaminations 11

C. In the AIA, Congress Chose Not to Designate Examination Standards, Such As the Broadest Reasonable Interpretation, for Use in *Inter Partes* Reviews 12

D. Congress Did Not Provide the Director the Authority to Prescribe Regulations Establishing a Claim Construction "Standard" for IPRs Other Than the Plain and Ordinary Meaning Established by the Judiciary 13

E. The *Cuozzo I* Panel Majority's Reliance on Section 316 as Support for Director Authority to Set Claim Construction Standards Is Misplaced 14

F The *Cuozzo I* Panel Majority's Reliance on the USPTO's History of Applying the Broadest Reasonable Interpretation Standard in Examination and Reexamination Proceedings Is Misplaced 16

II. THE FEDERAL CIRCUIT'S ERRONEOUS DECISION TO UPHOLD USE OF THE BROADEST REASONABLE INTERPRETATION STANDARD TO CONSTRUE CLAIMS IN *INTER PARTES* REVIEWS WARRANTS CORRECTION BY THIS COURT 20

A. Supreme Court Review Traditionally Has Corrected the Course of Patent Jurisprudence When Special Rules Emerge to Create Unusual Results, As Is the Case Here 20

B. Patent Examination Traditions Should Not Dictate Invalidity Analyses in New Adjudicatory IPR Proceedings 23

III. THE FEDERAL CIRCUIT INCORRECTLY HELD THAT THE DIRECTOR'S INSTITUTION OF AN IPR IS UNREVIEWABLE 26

A. Review of the Director's Adherence to the Scope of Statutory Authority When Instituting an IPR is Vitally Important to Patentees 26

B. There Is a Strong Presumption That Congress Intends Judicial Review of Administrative Action 29

C. There Is No Basis to Extend Section 314(d) to Preclude Judicial Review As to the Propriety of Institution After a Final Written Decision Has Been Rendered 33

CONCLUSION 36

TABLE OF AUTHORITIES

Page(s)

CASES

Abbott Labs. v. Gardner, 387 U.S. 136, 141 (1962) 30

Barlow v. Collins, 397 U.S. 159 (1970) 30

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Bowen v. Michigan Academy of Family Physicians, 476 U.S. 667 (1986) 29, 30

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Lindahl v. Office of Pers. Mgmt., 470 U.S. 768 (1985) 30, 31, 32, 33

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129 U.S. 530 (1889) 22

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005) 19

St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.,
749 F.3d 1373 (Fed. Cir. 2014) 33

Teva Pharm. USA, Inc. v. Sandoz, Inc.,
135 S. Ct. 831 (2015) 20, 21, 29

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793 F.3d 1306 (Fed. Cir. 2015) 35, 36

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119 U.S. 47 (1886) 22

STATUTES & RULES

5 U.S.C. § 702 29

5 U.S.C. § 812(b) 32

5 U.S.C. § 8347 ..... 31, 32, 33

35 U.S.C. §§ 102 and 103 10

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35 U.S.C. § 301 19

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35 U.S.C. § 315(a) 28

35 U.S.C. § 315(e) 28

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Fed. R. Civ. P 52 20

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INTEREST OF *AMICUS CURIAE*

The Intellectual Property Owners Association (IPO) is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights.[1] Since its founding in 1972, IPO has grown to its current membership of more than 200 companies and over 12,000 individuals who are involved in the association, either through their companies or as inventor, author, executive, law firm, or attorney members. IPO regularly represents the interests of its members before Congress and the United States Patent and Trademark Office (USPTO) and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. This brief was approved by the IPO Board of Directors. A list of IPO Board members can be found in the Appendix.[2]

As owners of intellectual property, the members of IPO believe that intellectual property rights promote the innovation, creativity, and investment necessary to address major global challenges and improve lives. IPO strives to maximize innovation

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[1] No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae* or its counsel made a monetary contribution to its preparation or submission. Cuozzo consented to the filing of this brief via blanket consent filed on February 3, 2016. Respondent provided written consent for this brief submitted herewith.

[2] IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

across all industries and to improve lives throughout the world by fostering high quality intellectual property rights and effective, harmonized systems to obtain and enforce them, on behalf of all IPO members.

IPO's corporate membership includes companies with valuable patent portfolios protecting their investment in research and development, as well as significant patent litigation dockets with claims of infringement lodged both by and against them. They are also engaged in numerous *inter partes* reviews (IPRs), both as petitioners and as patent holder respondents. As such, IPO provides an important perspective on the development and enforcement of patent rights, before both the USPTO and the courts.

INTRODUCTION AND SUMMARY OF ARGUMENT

IPO will address the following questions presented:

> 1. Whether the court of appeals erred in holding that, in IPR proceedings, the Board may construe claims in an issued patent according to their broadest reasonable interpretation rather than their plain and ordinary meaning.
>
> 2. Whether the court of appeals erred in holding that, even if the Board exceeds its statutory authority in instituting an IPR proceeding, the Board's decision whether to institute an IPR proceeding is judicially unreviewable.

These questions address legal issues that not only impact the validity of thousands of patents currently the subject of IPR proceedings, but also the value of many more patents protecting significant investments in research and development across all indus-

tries, as such patents are subject to IPR challenges throughout their lifetimes.

This Court frequently addresses Federal Circuit opinions that create special standards for patent cases and reconciles them with broader legal concepts. The issues presented in this case are similar: whether traditions created by the USPTO in conducting examination of patent applications and reexamination of patent claims should control the adjudication of patent claims under the Leahy-Smith America Invents Act (AIA), which creates a wholly new adjudicatory IPR proceeding designed as an alternative to district court patent litigation.

In the present case, the Federal Circuit held that the Director of the USPTO has the authority to set the standard for claim construction in IPR proceedings. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1279 (Fed. Cir. 2015) (*Cuozzo I*). The panel majority based its reasoning in large part on the USPTO's tradition of applying the broadest reasonable interpretation (BRI) standard in examination and reexamination proceedings. This result is not authorized by the AIA. In enacting the AIA, Congress expressly acted to overcome the shortcomings of *inter partes* reexamination, which used the broadest reasonable interpretation standard, by replacing it with new adjudicatory proceedings, including IPR. Congress abolished *inter partes* reexamination in its entirety, established new procedures for IPR adjudications, and in no way expanded the Director's rule-making authority beyond the traditional authority to promulgate only procedural, and not substantive, rules. As a result, the new IPR proceedings are an adjudicatory surrogate for district court litigation where

claims cannot be amended as of right, unlike in reexaminations. There is no basis for USPTO traditions in unrelated reexaminations to overwhelm the clear congressional intent that IPR proceedings would not be conducted using traditional reexamination rules.

IPR proceedings have made the Patent Trial and Appeal Board (PTAB) a fast growing forum for adjudicating patent validity. The PTAB's use of the broadest reasonable interpretation standard in place of the judiciary's long-standing plain and ordinary meaning standard means that the same patent can have two different sets of boundaries in parallel adjudications, namely in concurrent proceedings before the PTAB and a district court. This result is illogical, contradicts decades of black letter patent law that the claims of an issued patent should have the same scope for purposes of adjudicating both their validity and infringement, and casts a shadow of uncertainty over the value of research and development and patent portfolios resulting from that research and development, because investors cannot reliably predict the extent of their property rights.

This Court should reverse the Federal Circuit's decision, as its special reliance on USPTO claim construction traditions in examination and reexamination is not appropriate here. Those agency traditions cannot trump Congress' intent to replace *inter partes* reexamination with the new, adjudicatory IPR proceedings, as well as Congress' decision not to confer new rulemaking authority to the USPTO, allowing it to create substantive rules, such as the one at issue in this case regarding the Director's authority to set claim construction standards for wholly new IPR proceedings.

The Federal Circuit also incorrectly held that the Director's institution of an IPR proceeding is unreviewable. The AIA is drafted to prevent *interlocutory* appeals of the Director's institution decision, and to preclude an appeal of the Director's denial of a petition to institute an IPR. Moreover, once a final decision has been issued, a patent owner cannot appeal the original institution decision on the merits – *i.e.*, that the prior art did not meet the statutory threshold for institution. However, the AIA does not preclude any and all judicial review of the Director's compliance with statutory authority to institute an IPR once a final written decision has issued. Given the widespread use of IPRs to challenge patent validity, their broad estoppel effect, and the integral relationship between IPRs and federal court litigation, it is of paramount importance that the Director not overstep statutory bounds in instituting an IPR proceeding. Judicial review is the method for assuring compliance with the statute. IPO urges the Court not to let stand a decision that would allow a U.S. government agency to exceed its explicit statutory authority granted by Congress.

There is a strong presumption in favor of allowing judicial review of administrative decisions in the absence of clear and convincing evidence of a contrary legislative intent. In this case, there is no clear and convincing evidence that Congress intended to preclude such review, and in fact all the evidence is to the contrary. The language of 35 U.S.C. § 314(d) does not preclude review of all errors. Rather, the statutory language itself precludes interlocutory review and final review in certain circumstances, but those circumstances do not extend to questions of whether statutory boundaries have been exceeded.

The legislative history of the AIA is in accord. Additionally, the Federal Circuit itself has recognized the need for judicial review in directly analogous circumstances involving new AIA post-grant review proceedings.

Congress could not have intended to allow the Director to disregard the clear statutory requirements of IPR institution decisions without consequence. This Court's many decisions on judicial review of agency actions, the plain language of the statute itself, the legislative history of the AIA, and the Federal Circuit's own jurisprudence support this important restraint on the USPTO's ability to alter the legal rights of an affected stakeholder. Any other conclusion treats patent law administrative proceedings differently than other areas of law, and falls out of step with traditional administrative jurisprudence.

ARGUMENT

I. THE PROPER CLAIM CONSTRUCTION STANDARD FOR *INTER PARTES* REVIEWS IS THE JUDICIALLY CREATED PLAIN AND ORDINARY MEANING STANDARD

A. The Standards Applied in IPR Significantly Impact a Company's Ability to Protect Its Product Development Investments

In IPR proceedings, the PTAB, a new adjudicatory body, serves as a surrogate for district court litigation of patent validity "'to review the validity of a patent in a court-like proceeding.'" *Cuozzo I* at 1284 (Newman, J, dissenting) (citing H.R. Rep. No. 112–98, pt. 1, at 68, 2011 U.S.C.C.A.N. 67, 92.) *Inter partes* reviews are becoming the vehicle of choice for challenging a patent's validity. The volume of IPR petitions exceeds original expectations and far surpasses the use of reexaminations. Litigation defendants commonly file an IPR to shift the forum for adjudicating patent validity. In just three years, the landscape for scrutinizing the validity and value of patents covering billions of dollars of research and development has changed dramatically.

Before IPRs were an option, parties challenged patents at the USPTO through (1) *ex parte* reexamination, which proceeded essentially as an extension of the patent's original *ex parte* examination; or (2) *inter partes* reexamination, which allowed the challenger to take an adversarial role in the reexamination process. Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. Chi. L. Rev. Dialogue 93, 95 (2014). These proceedings used the broadest reasonable interpretation

standard to construe claims. *See Cuozzo I* at 1287-88 (Newman, J., dissenting). However, reexamination developed a reputation for lengthy delays, a lack of decisive results, and a permissive attitude toward claim amendments that led some in the patent bar to view reexamination as a vehicle to strengthen their patent rights *post hoc*, rather than as a tool for possible infringers. *Love and Ambwani* at 95.

As explained below in detail, the AIA replaced the existing regime of *inter partes* reexamination with *inter partes* review. The new legislation mandated a shorter time to completion and assigned reviews to the PTAB – not the corps of USPTO examiners. Legislators hoped these modifications would transform *inter partes* administrative patent challenges into a faster, inexpensive, efficient litigation alternative. *Id.* at 96. In short, reexamination and *inter partes* review bear little resemblance to each other.

Since the September 2012 inception of the IPR program, patent challengers have filed 4,049 IPR petitions.[3] This far outpaces use of the *inter partes* reexamination system, which saw only 1,919 petitions between 2000 and 2013.[4] As of January 31, 2016, 2,807 IPR petitions had been filed and ruled upon at the institution stage, and 797 (28% of the to-

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[3] U.S. Patent and Trademark Office, *Patent Trial and Appeal Board Statistics* (Jan. 31, 2016), http://www.uspto.gov/sites/default/files/documents/ 2016-01-31%20PTAB.pdf ("*USPTO IPR Data*").

[4] U.S. Patent and Trademark Office, Inter Partes *Reexamination Filing Data* (Sept. 30, 2014), http://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up_EOY2014.pdf ("*USPTO IPRX Data*").

tal institution decisions) had been denied institution. *USPTO IPR Data, at 7.* Two thousand six hundred of the IPR petitions have reached a final disposition. Of the 792 petitions that proceeded through completion of trial with a final written decision, only 107 trials (4% of total petitions; 14% of final written decisions) concluded with all claims intact. *USPTO IPR Data, at 9.* And, amended claims are virtually non-existent, as the USPTO has interpreted the AIA as providing patent owners only with the right to file a motion seeking to amend claims, not with any right to have amended claims considered during the IPR. *See Cuozzo I* at 1287-88 (Newman, J., dissenting). By stark contrast, in *inter partes* reexamination, patent holders emerged with the same claims or amended claims 69% of the time. *USPTO IPRX Data.* In *ex parte* reexamination, 88% of petitions resulted in amended or unchanged claims.[5] At bottom, the results to date show that *inter partes* reviews invalidate and cancel claims in a way never seen in the reexamination process in which new amended claims were a common occurrence.

Since 2012, patent defendants have filed a growing number of motions to stay litigation pending the results of an *inter partes* review. A picture is developing in which parties strategically shift forums from district court to the USPTO. Aashish Kapadia, *Inter Partes Review: A New Paradigm in Patent Litigation*, 23 Tex. Intell. Prop. L.J. 113 (2015). The trend

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[5] U.S. Patent and Trademark Office, Ex Parte *Reexamination Filing Data* (Sept. 30, 2014), http://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up_EOY2014.pdf.

toward requesting stays in litigation is apparent, with an average grant rate between 60-70%. *Id.* at 131.

The standards applied to adjudicate patent validity are critical in analyzing whether inventions in a new product can be protected through patent protection and enforcement. Given the number of review petitions filed since the creation of IPR in 2012, it must now be considered a dominant force in adjudicating patents and rendering them invalid. Reexamination has never played this role, given the high rate of patents emerging with amended or unchanged claims. In fact, the results from IPR proceedings to date suggest that the validity standards applied in IPRs are the most important factors to consider, given the propensity of these proceedings to invalidate patents.

To date, the district court approach to assessing invalidity has weighed at the forefront of the analysis when assessing the likelihood of successful patent enforcement. In prior art based invalidation under 35 U.S.C. §§ 102 and 103, the claim construction rules play a critical role in the invalidity analysis. The plain and ordinary meaning claim construction standard has developed over a longstanding body of jurisprudence and provides a well-developed framework. The advent of IPR proceedings as a dominant vehicle for adjudicating patent validity using the broadest reasonable interpretation standard from the reexamination paradigm presents a sea change in patent jurisprudence in this country, given the track record of patent challenge success at the PTAB.

B. Congress Expressly Provided for the Director to Use the Broadest Reasonable Interpretation Standard in *Inter Partes* Reexaminations

Prior to Congress creating *inter partes* review, 35 U.S.C. § 314 was titled "Conduct of inter partes reexamination proceedings" and contained the following text:

> Except as otherwise provided in this section, ***reexamination shall be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133.***

(emphasis added).

Section 132, "Notice of rejection; reexamination," and section 133, "Time for prosecuting application," appear in chapter 12, which is titled "Examination of Application." During examination of patent applications, USPTO examiners apply the broadest reasonable interpretation standard. *See Cuozzo I* at 1276 ("This court has approved of the broadest reasonable interpretation standard in a variety of proceedings, including initial examinations and reexaminations.").

The broadest reasonable interpretation is appropriate in the "examination of pending applications, as the applicant and the examiner interact to define the invention so as to distinguish or avoid overlap with prior art." *Id.* at 1286 (Newman, J., dissenting) (citing *In re Zletz*, 893 F.2d 319, 321-22 (Fed. Cir. 1989)). "Giving proposed claims their broadest reasonable interpretation 'serves the public interest by reducing the possibility that claims, finally allowed,

will be given broader scope than is justified.'" *Id.* (citation omitted).

C. In the AIA, Congress Chose Not to Designate Examination Standards, Such As the Broadest Reasonable Interpretation, for Use in *Inter Partes* Reviews

In the AIA, Congress struck the entire text of 35 U.S.C. § 314, including its reference to the use of examination procedures in sections 132 and 133. Section 314 is now titled "Institution of *inter partes* review" and includes the following:

> The Director may not authorize an inter partes review to be instituted unless the Director determines there is a reasonable likelihood that the ***petitioner would prevail*** with respect to at least 1 of the claims challenged in the petition.

(emphasis added).

In an IPR, a petitioner "prevails" by showing that one or more claims of a patent should be cancelled "on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications." *See* 35 U.S.C. § 311(b).

Notably, the AIA did not make any reference in the new version of section 314 to the PTAB conducting IPRs "according to the procedures established for initial examination under the provisions of sections 132 and 133." Instead, the AIA set forth section 316, which specifies the scope of regulations the Director can prescribe for IPRs. As explained below, section 316 contains no express authorization for the USPTO

to establish any substantive standards, let alone the right to establish regulations for construing patent claims or evaluating invalidity under section 102 or 103. Congress could have expressly given the Director this authority in section 316 or maintained the use of "examination procedures in Section 132 and 133," but Congress chose not to do so.

D. Congress Did Not Provide the Director the Authority to Prescribe Regulations Establishing a Claim Construction "Standard" for IPRs Other Than the Plain and Ordinary Meaning Established by the Judiciary

Section 316, which authorizes the Director to prescribe regulations, is titled "Conduct of *inter partes* review." "The word 'conduct' connotes procedure. Section 316 identifies areas whose conduct is assigned to the [US]PTO, including public access to proceedings, discovery rules, and the right to a hearing." *Cuozzo I* at 1290 (Newman, J., dissenting). As Judge Newman indicates, there is "no authorization to the [US]PTO to change the law of how claims of issued patents are construed." *Id.* (citation omitted).

When Congress meant to provide the Director with the authority to set standards pursuant to section 316, Congress did so by explicitly authorizing the following:

> setting forth the ***standards*** for the showing of ***sufficient grounds to institute*** a review under section 314(a) (35 U.S.C. § 316(a)(2));
>
> setting forth ***standards*** and procedures ***for discovery*** of relevant evidence (35 U.S.C. § 316(a)(5));

> setting forth ***standards*** and procedures for ***allowing the patent owner to move to amend*** the patent (35 U.S.C. § 316(a)(9)).

These authorized standards are all limited to processes or thresholds for procedural activity, such as institution (with the substantive threshold for institution specified in section 314), discovery, and moving to amend. These are analogous to pleading and discovery rules in the Federal Rules of Civil Procedure. Section 316 does not specify authority allowing the Director to establish standards on substantive matters of validity and the construction required to assess validity. *See* 35 U.S.C. § 311(b) ("A petitioner in an *inter partes* review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103.").

E. The *Cuozzo I* Panel Majority's Reliance on Section 316 as Support for Director Authority to Set Claim Construction Standards is Misplaced

The *Cuozzo I* majority concluded that "section 316(a)(4) further provides the USPTO with authority to prescribe regulations 'establishing and governing *inter partes* review under this chapter and the relationship of such review to other proceedings under this title.'" *Cuozzo I* at 1278. The majority goes on to assert that the regulation calling for use of the broadest reasonable interpretation standard "presents a reasonable interpretation of the statute." *Id.* at 1279.

> [T]he language of § 316 readily covers the specific action the [US]PTO has taken here, which

> is the opposite of a sharp departure from historical practice. The [US]PTO has merely embodied in a regulation the approach it has uniformly applied, even without rulemaking, when it is interpreting 'claims' to assess patentability.

Cuozzo I at 1279.

However, as explained above, there is no basis for extending any portion of section 316 to allow the Director to set substantive standards used by the PTAB to construe claims when adjudicating patent validity. First, section 316 is limited to procedural "conduct." Second, the plain meaning of the words used in section 316(a) show that Congress knew how to authorize the Director to set "standards" when it chose to do so, and it did not do so in section 316(a)(4). Third, Congress intended *inter partes* reviews to be a new post-grant review system, before a new adjudicatory body (the PTAB), acting as a surrogate for a district court and reviewing validity in a court-like proceeding. *Cuozzo I* at 1284 (Newman, J., dissenting) (citing H.R. Rep. No. 112–98, pt. 1, at 48, 68 (2011), 2011 U.S.C.C.A.N. 67, 78, 92). In a court-like proceeding, Congress intended "court-like" standards for assessing validity to apply, including the plain and ordinary standard for determining the proper construction of patent claims.

F. The *Cuozzo I* Panel Majority's Reliance on the USPTO's History of Applying the Broadest Reasonable Interpretation Standard in Examination and Reexamination Proceedings is Misplaced

The *Cuozzo I* majority states:

> This court has approved of the broadest reasonable interpretation standard in a variety of proceedings, including initial examinations, interferences, and post-grant proceedings such as reissues and reexaminations. Indeed, that standard has been applied in every [US]PTO proceeding involving unexpired patents. In doing so, we have cited the long history of the [US]PTO's giving claims their broadest reasonable construction.

Cuozzo I at 1276-77

The majority goes on to assert "[t]here is no indication that the AIA was designed to change the claim construction standard that the [US]PTO has applied for more than 100 years." *Id.* at 1277

However, an "*inter partes* review is neither a patent examination proceeding nor a patent reexamination proceeding." *Idle Free Sys. v. Bergstorm*, 2014 WL 824156, at *19 (Patent Tr. & App. Bd. Jan. 7, 2014). "In the PTAB's own words, '[a]n *inter partes* review is a trial, adjudicatory in nature [which] constitutes litigation.'" *Cuozzo I* at 1289 (Newman, J., dissenting) (citing *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013–00191, Paper No. 50, at 4 (Feb. 13, 2014)).

As Judge Newman notes, "[t]he extensive congressional criticism of the now-discarded inter partes

reexamination belies the majority's 'inference' that Congress silently approved practices it was not explicitly adopting. These discarded practices resulted in lengthy delays as well as indecisive results." *Id.* at 1288 (citation omitted).

> The America Invents Act was designed to remedy these flaws, and to provide an adjudicatory proceeding with the benefits of adversary participation. Thus the Act provides for discovery, witnesses, argument, and other litigation procedures. The House Report explained that Congress intended to "convert" inter partes reexamination "from an examinational proceeding to an adjudicative proceeding."

Id. (citation omitted).

The stark difference in the treatment of amendments in IPRs, as compared to examination or reexamination, makes clear that IPRs are wholly different. "Patent prosecution is a fluid exchange between the examiner and the applicant, and the expedient of broadest reasonable interpretation during examination is based on, and depends on, the applicant's right to amend the claims." *Cuozzo I* at 1287 (Newman, J., dissenting). "In routine examination and reexamination, the amendment of a claim is a back-and-forth process between an examiner and the applicant, who may present amendments and new claims." *Id.*

Unlike examination or reexamination, in an IPR,

> [t]he proposed substitute claims are not entered automatically and then subjected to examination. Rather, the proposed substitute

> claims will be added directly to the patent, without examination, if the patent owner's motion to amend claims is granted. As the moving party, a patent owner bears the burden to show entitlement to the relief requested.

Idle Free Sys., 2014 WL 824156, at *19. The burden is "on the patent owner to show general patentability over prior art." *Id.*

As Judge Newman points out:

> The majority trivializes this difference, curiously stating that these post grant proceedings do not "involve any restriction on amendment opportunities that materially distinguishes IPR proceedings from their predecessors in the patent statute." That is incorrect. Amendment in post-grant validity proceedings is not of right, and thus far appears to be almost entirely illusory.
>
> It is beyond debate that Inter Partes Review does not allow the kind of iterative amendment process that is part of the "broadest reasonable interpretation" protocol in examination. The restricted role of amendment in the America Invents Act proceedings comports with the intended and expected "correct" claim construction, not the broadest claim construction. It comports with district court practices in adjudication, not [US]PTO practices in examination.

Cuozzo I at 1288 (Newman, J., dissenting).

The amendment procedures in an IPR are most akin to the rules applied to expired patents in reex-

amination because the claims cannot be amended. In that situation, "claim construction pursuant to the principle set forth by the court in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005) (words of a claim 'are generally given their ordinary and customary meaning' as understood by a person of ordinary skill in the art in question at the time of the invention) should be applied since the expired claims are not subject to amendment." *Id.* at 1287 (citation omitted).

Further, the America Invents Act

> refers to the "proper meaning of a patent claim," see 35 U.S.C. § 301(d) (referring to "the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324"). The "proper meaning" is the correct meaning, applying the law of claim construction. The new USPTO regulation authorizing "broadest reasonable interpretation" in these post-grant proceedings defeats "the will of Congress as expressed in the statute."

Id. at 1290 (citation omitted).

II. THE FEDERAL CIRCUIT'S ERRONEOUS DECISION TO UPHOLD USE OF THE BROADEST REASONABLE INTERPRETATION STANDARD TO CONSTRUE CLAIMS IN *INTER PARTES* REVIEWS WARRANTS CORRECTION BY THIS COURT

A. Supreme Court Review Traditionally Has Corrected the Course of Patent Jurisprudence When Special Rules Emerge to Create Unusual Results, As Is the Case Here

When the Federal Circuit has modified long standing legal principles for use in patent matters, this Court has stepped in to ensure that rules for patent law do not unnecessarily stray from general jurisprudence. Like any other body of law, patent law must respect governing doctrines that frame its application by courts.

For example, in *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 836 (2015), this Court vacated and remanded because the Federal Circuit applied *de novo* review to all aspects of the district court's claim construction, including the determination of subsidiary facts. The Court explained that Federal Rule of Civil Procedure 52 requires that courts of appeals "must not set aside" a district court's factual findings unless they are clearly erroneous. The "Federal Circuit reviews the claim construction decisions of federal district courts throughout the Nation, and we consequently believe it important to clarify the standard of review that it must apply when doing so." *Id.* at 836. The Court found that its precedent on claim construction "did not cre-

ate an exception from the ordinary rule governing appellate review of factual matters." *Id.* at 838.

In *eBay, Inc. v. MercExchange, LLC*, 126 S. Ct. 1837 (2006), this Court vacated and remanded a case involving special patent rules applied to the grant of injunctions. The Court declared that the Federal Circuit "articulated a 'general rule,' unique to patent disputes, 'that a permanent injunction will issue once infringement and validity have been adjudged.'" *Id.* at 1841. This Court found that "the Court of Appeals erred in its categorical grant of such relief." *Id.* The familiar principles of deciding whether to grant or deny a permanent injunction "apply with equal force to disputes arising under the Patent Act." *Id.* at 1839.

In the present case, the Federal Circuit upheld the use of the broadest reasonable interpretation claim construction standard in adjudicative IPR proceedings. *Cuozzo I* at 1279. Then, it denied *en banc* review. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1297, 1298 (Fed. Cir. 2015) (*Cuozzo II*). As in *Teva* and *eBay*, in which this Court vacated and remanded, the Federal Circuit reached its decision in *Cuozzo I* by again applying special rules that are not warranted under this Court's patent jurisprudence or general principles of administrative law.

The *Cuozzo I* majority held that the Director of the USPTO has the authority to set the standard for claim construction, based in large part on the USPTO's tradition of applying the broadest reasonable interpretation standard in the examination of patent applications and reexamination of issued patents. *Cuozzo I* at 1277. This tradition, however, is not applicable here. As explained above, section 316,

which authorizes the Director to prescribe regulations, does not allow the Director to create substantive legal standards, such as the construction of claims as required by an invalidity analysis. The *Cuozzo I* panel "decision ignores the usual rule that, '[o]rdinarily, Congress' silence is just that—silence.'" *Cuozzo II* at 1299 (Prost, J., dissenting). As Chief Judge Prost articulated in her dissent from denial of *en banc* review, "[t]he panel majority holds that 'Congress implicitly approved the broadest reasonable interpretation standard in enacting the [AIA]'

This conclusion cannot stand, as it does, on a silent statute, a contrary legislative history, and a line of case law that counsels an opposite result." *Id.*

Moreover, using special rules to foist USPTO tradition into IPRs leads to a conflicting result that patents have two "proper" boundaries at the same point in time—one in a district court suit for patent infringement based on the plain and ordinary meaning standard and another in the PTAB based on the broadest reasonable interpretation standard. A patent claim, however, like any other piece of property, cannot logically have more than one "proper" boundary. Indeed, it has long been black letter patent law that the claims of issued patents must be interpreted the same for purposes of determining invalidity and infringement. *See, e.g., Peters v. Active Mfg. Co.*, 129 U.S. 530, 537 (1889) ("[t]hat which infringes, if later, would anticipate, if earlier"); *White v. Dunbar*, 119 U.S. 47, 51 (1886) (a patent claim is not "a nose of wax which may be turned and twisted in any direction").

B. Patent Examination Traditions Should Not Dictate Invalidity Analyses in New Adjudicatory IPR Proceedings

The broadest reasonable interpretation standard is designed for patent examination and reexamination proceedings as a procedural mechanism for helping define the boundaries of a patent claim in the back and forth applicant-examiner discussion during the prosecution of a patent application and during reexamination or reissue. "The purpose of construing claims broadly during examination is to restrict or clarify the applicant's proposed claims, not to broaden them" so they can be invalidated. *Cuozzo I* at 1286 (Newman, J., dissenting) (citation omitted). "The 'broadest' protocol aids the applicant and the examiner in defining claim scope during prosecution. It is not a claim construction on which substantive legal rights of validity or infringement are based, or are intended to be based." *Id.* at 1287 Yet, this is exactly how the broadest reasonable interpretation construction has been wielded in *inter partes* review, with great impact on patent portfolios.

The Director's authority to empower the PTAB to use the broadest reasonable interpretation standard when adjudicating validity is a crucial issue. This is particularly true since only 14% of patents emerge from completed PTAB trials unscathed. *USPTO IPR Data*, at 9. The Federal Circuit's 6 to 5 refusal of *en banc* review demonstrates a narrowly divided difference of opinion on the correct approach to claim construction in *inter partes* review and the authority of the Director. *See Cuozzo II.*

One set of Federal Circuit jurists declares that the PTAB's use of the broadest reasonable interpre-

tation standard is reasonable, based on its traditional application in the examination and reexamination environment, an environment where claims are malleable. Another group questions whether the Director has any authority under the AIA to set substantive standards for adjudicating invalidity, including the standard for proper construction.

Without doubt, the AIA provides the Director with the express authority to set certain "standards" pursuant to 35 U.S.C. § 316(a), all of which relate to the procedures for establishing and administering IPR proceedings. However, as explained above, the AIA is silent about the Director's authority to set standards for substantive determinations of patentability, including claim construction. Moreover, the AIA's elimination of reference to sections 132 and 133 regarding patent ***examination*** standards disfavors application of the broadest reasonable interpretation in *inter partes* ***reviews***.

Chief Judge Prost in her dissent from *en banc* denial explains IPR "is a new, court-like proceeding designed to adjudicate the validity of issued patent claims. In adjudicatory proceedings, claims are given their actual meaning, not their broadest reasonable interpretation." *Cuozzo II* at 1299 (Prost, J., dissenting). "Congress was not legislating within an already existing regime." *Id.* at 1300.

The contrast in outcomes between IPRs and reexaminations demonstrates that IPRs are not "business as usual" at the USPTO. Congress not only provided a new proceeding, it carefully restricted the Director's authority to establish only regulations for certain procedural standards unrelated to adjudicating patentability. Congress did not grant authority

for the Director to apply a traditional USPTO examination standard to replace the judiciary's long-standing plain and ordinary meaning standard.

Nor does the Director's discretion to consolidate IPR proceedings with other USPTO proceedings in which broadest reasonable interpretation traditionally has been applied, such as *ex parte* reexaminations, justify the use of that standard in IPR proceedings. Under the AIA, the Director's decision to consolidate proceedings is wholly discretionary. If different claim construction standards make consolidation improper or unworkable, Congress expressly afforded the Director with the discretion not to consolidate. Additionally, as discussed in Part III.A. below, the vast majority of IPRs have concurrent district court litigation, whereas consolidated USPTO proceedings are likely to be rare. By contrast, the harm to the patent system in having inconsistent claim constructions in concurrent litigation and IPRs is real and serious.

For the foregoing reasons, this Court should find that the PTAB's use of the broadest reasonable interpretation standard during *inter partes* review proceedings is incorrect, and that the proper claim construction standard is the plain and ordinary meaning standard. Doing so will establish the Director's scope of authority in claim construction as intended by the AIA and enable consistency between PTAB and federal court determinations on patent construction and validity.

III. THE FEDERAL CIRCUIT INCORRECTLY HELD THAT THE DIRECTOR'S INSTITUTION OF AN IPR IS UNREVIEWABLE

A. Review of the Director's Adherence to the Scope of Statutory Authority When Instituting an IPR is Vitally Important to Patentees

As indicated above, since the inception of the AIA, post-grant proceedings have rapidly gained favor as an alternative to litigation, with IPR proceedings by far the most widely used. Through January 31, 2016, the USPTO has received 4,049 IPR Petitions, which represents 90% of total AIA Petitions. *USPTO IPR Data*, at 2. The use of IPRs as a vehicle for challenging the validity of patents is increasing, with the USPTO witnessing a 33% increase in IPR Petitions from FY2014 to FY2015. *USPTO IPR Data*, at 3. And of the IPR Petitions terminated as of January 31, 2016, there were a staggering 39,346 patent claims challenged. *USPTO IPR Data*, at 12.

New empirical research indicates that roughly 70% of IPR Petitions are brought by petitioners who are also defendants in patent lawsuits filed in U.S. district courts. *See* Vishnubhakat, Saurabh and Rai, Arti K. and Kesan, Jay P., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, (February 10, 2016). Berkeley Tech. L.J., Forthcoming. Available at SSRN: http://ssrn.com/abstract=2731002. This very high percentage of dual PTAB-district court patent validity proceedings provides further support for using the same claim construction in both forums. As noted by these authors:

> [T]he PTAB should ensure that litigants can reliably turn to administrative process in lieu of judicial process for adjudicating the validity of patents without risking *substantively* conflicting outcomes. Likelihood of such conflict, however, is precisely what the PTAB has created by construing patent claims under a "broadest reasonable interpretation" standard rather than the "plain and ordinary meaning" standard used in federal courts.

Id. at 31.

Perhaps even more surprising is the fact that about 30% of IPR cases are brought by petitioners that are not the target of a prior suit on the same patent. *Id.* at 6. This non-litigation related petitioning could be viewed as providing a social benefit (challenging invalid patents) or a form of harassment (serial petitioning on the same patent). *Id.* Regardless of the motivation of petitioners, IPR proceedings are increasing and will likely continue to serve as an important venue for assessing the validity of thousands of patents. It is therefore critical that IPR and other post-grant proceedings before the PTAB be viewed as a reliable, fair and cost-effective surrogate to federal court litigation, as intended by Congress in passing the AIA. And one factor in meeting that goal is the availability of appellate review on institution decisions once a final written opinion has been rendered, to ensure that the USPTO has not exceeded its statutory authority.

IPRs can have an even greater impact on patent ownership than district court litigation. For example, the congressionally mandated estoppel effect of IPR proceedings is comparatively strong. Under 35

U.S.C. § 315(e), an IPR that results in a final written decision precludes the petitioner from requesting another USPTO proceeding with respect to that patent claim, or from asserting in federal court or the International Trade Commission that the claim is invalid "on any ground that the petitioner raised or reasonably could have raised during that inter partes review." Additionally, by law, IPR proceedings generally trigger automatic stays of co-pending declaratory judgment litigation if the petitioner files a civil action on or after the date the petitioner filed the IPR. 35 U.S.C. § 315(a).

The AIA is drafted to prevent *interlocutory* appeals of the Director's institution decision, and to preclude an appeal of the Director's denial of a petition to institute an IPR. Moreover, once a final decision has been issued, a patent owner cannot appeal the original institution decision on the merits – *i.e.*, that the prior art did not meet the statutory threshold for institution. However, contrary to the Federal Circuit's decision below, the AIA does not preclude any and all judicial review of the Director's compliance with statutory authority to institute an IPR once a final written decision has issued. Congress could not have intended to allow the Director to disregard the clear statutory requirements of IPR institution decisions without consequence and with no possibility of relief short of mandamus.

In light of the prevalence of IPR proceedings, their broad estoppel effect, and the integral relationship between IPRs and federal court litigation, it is of paramount importance that the Director not overstep statutory bounds in instituting an IPR proceeding. Judicial review is the method for assuring compli-

ance with the statute. For example, if an IPR is improperly instituted more than one year after service of a complaint or after a declaratory judgment action has been filed, judicial review provides a means of objecting. If the PTAB applies prior art against patent claims not presented in the petition, as Petitioner Cuozzo alleges, judicial review can correct the error.

Yet the Federal Circuit's decision below would prevent review of these and any other instances where the Director or the PTAB exceed their statutory authority. IPO urges the Court not to let stand a decision that would allow a U.S government agency to exceed the explicit statutory authority granted by Congress. Granting the USPTO unchecked authority in IPR proceedings might encourage still more special rules for patent cases. Such an outcome is contrary to other recent patent decisions of this Court (*e.g.*, *Teva* and *eBay*), and it is contrary to other legal precedent holding that judicial review of administrative action is unquestionably the norm, as discussed below.

B. There Is a Strong Presumption That Congress Intends Judicial Review of Administrative Action

There is a strong presumption that Congress intended to allow judicial review of whether the PTAB's decision to institute an *inter partes* review exceeded its statutory authority. This reflects the normal course of administrative law in all subject matter areas. *See Bowen v. Michigan Academy of Family Physicians*, 476 U.S. 667, 670 (1986); *see also* 5 U.S.C. § 702 ("A person suffering legal wrong because of agency action, or adversely affected or ag-

grieved by agency action within the meaning of a relevant statute, is entitled to judicial review thereof."). That presumption can be overcome "only upon a showing of 'clear and convincing evidence' of a contrary legislative intent." *Bowen*, 476 U.S. at 671 (*citing Abbott Labs. v. Gardner*, 387 U.S. 136, 141 (1962)).

"Of course, the 'clear and convincing evidence' standard has never turned on a talismanic test." *Lindahl v. Office of Pers. Mgmt.*, 470 U.S. 768, 778-79 (1985). "Whether and to what extent a particular statute precludes judicial review is determined not only from its express language, but also from the structure of the statutory scheme, its objectives, its legislative history, and the nature of the administrative action involved." *Block v. Community Nutrition Inst., 467* U.S. 340, 345 (1984). "A clear command of the statute will preclude review; and such a command of the statute may be inferred from its purpose." *Barlow v. Collins*, 397 U.S. 159, 167 (1970).

The Government contends that the language of section 314(d) clearly forecloses any appeal of the PTAB's decision to institute an *inter partes* review. (Opp. at 17.) The statute's language, however, does not unambiguously forbid review when the PTAB exceeds its statutory authority by applying legal procedures or standards not supported by the statute.

Section 314(d) expressly precludes review of the "*determination* by the Director whether to institute an *inter partes* review under this section." 35 U.S.C. § 314(d) (emphasis added). The "determination" referred to in subsection (d) is defined in subsection (a) as the Director's finding that "the information presented in the petition and any response shows

that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." *Id.* at § 314(a). Thus, the express language of section 314(d) only precludes review of the Director's factual determination, as that term is defined in subsection (a), and it does not preclude appeal of the Director's decision to institute an *inter partes* proceeding on another basis.

In a case involving similar statutory language precluding review of an administrative agency's "decisions," this Court held that Congress did not clearly intend to preclude review of procedural or legal errors. In *Lindahl*, the Court addressed whether section 8347(c) of the Civil Service Retirement Act precluded all review of the Merit Systems Protection Board's (MSPB) final judgment of an Office of Personnel Management's (OPM) decision. The OPM decision related to disability and dependency in administering benefits to employees and their dependents under the Act. Section 8347(c) provided that the OPM "shall determine questions of disability and dependency" but that "[e]xcept to the extent provided under subsection (d) of this section, the decisions of the Office concerning these matters are final and conclusive and are not subject to review." 5 U.S.C. § 8347(c). Subsection (d) permitted review only by the MSPB. *Id.* at § 8347(d).

This Court disagreed with the Federal Circuit's reasoning that the express language of section 8347(c) clearly precluded any review of legal or procedural errors:

> To begin with, while § 8347(c) plausibly can be read as imposing an absolute bar to judicial review, it also quite naturally can be read as

> precluding review only of OPM's factual determinations about "questions of disability and dependency." Under this reading of § 8347(c)'s language, the factual "question" whether an applicant is disabled is quite distinct from questions of what laws and procedures the OPM must apply in administering the Retirement Act.

Lindahl, 470 U.S. at 779. Although section 8347(c) spoke to the preclusive effect of the OPM's factual determinations, this Court was not persuaded that under the plain language of the statute, Congress intended to preclude review of procedural and legal errors as well. *Id.* at 779-80 ("[W]hen Congress intends to bar judicial review altogether, it typically employs language far more unambiguous and comprehensive than that set forth in § 8347 ").

Section 314(d)'s language does not preclude review of all errors. As this Court noted in *Lindahl*, if Congress intended to preclude all review, this would be clear from the face of the statute. *See* 470 U.S. at 780, 780 n.13 (citing to 5 U.S.C. § 812(b) ["The action of the Secretary [of Labor] or his designee in allowing or denying a payment under this subchapter is—*(1) final and conclusive for all purposes and with respect to all questions of law and fact; and (2) not subject to review by another official of the United States or by a court by mandamus or otherwise*"] (emphasis added); 38 U.S.C. § 211(a) ["[T]he decisions of the Administrator on any question of law or fact under any law administered by the Veterans' Administration providing benefits for veterans and their dependents or survivors *shall be final and conclusive and no other official or any court of the United States shall have*

power or jurisdiction to review any such decision by an action in the nature of mandamus or otherwise"] (emphasis added)).

Just as with section 8347(c) in *Lindahl*, the preclusive language in section 314(d) only expressly precludes review of the PTAB's factual determination. The statute does not forbid review of the PTAB's determination on other grounds, such as when the PTAB exceeds its statutory authority under the AIA by applying incorrect procedures or legal standards.

C. There Is No Basis to Extend Section 314(d) to Preclude Judicial Review As to the Propriety of Institution After a Final Written Decision Has Been Rendered

Section 314(d) is designed to prevent *interlocutory* appeals of the Director's institution decision, and to preclude an appeal of the Director's denial of a petition to institute an IPR. *See St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014) (holding that section 314(d) precludes *interlocutory* review of decisions whether to institute IPR). However, section 314(d) does not preclude judicial review of the Director's compliance with statutory authority to institute an IPR once a final written decision has issued.

Importantly, the AIA's legislative history does not provide clear and convincing evidence demonstrating that Congress intended section 314(d) to have such an expansive preclusive effect on judicial review. In fact, the legislative history supports a finding that Congress intended aggrieved parties to have the ability to appeal a final, adverse decision regardless of the basis for that appeal. The AIA was "designed to

establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs." H.R. Rep. 112-98(I), at 40 (2011), *reprinted* in 2011 U.S.C.C.A.N. 67. To accomplish this, the AIA established an *inter partes* review, replacing the reexamination procedure. *Id.* at 45. Prior to the AIA, Congress had amended the reexamination procedure to correct "several limitations that later proved to make it a less viable alternative to litigation for evaluating patent validity." *Id.* One such limitation under the original reexamination proceeding was that the challenger "had no right to appeal an examiner's, or the Patent Board's decision either administratively or in court." *Id.*

With the AIA, Congress wanted to continue to "remove current disincentives to current administrative processes" and provide "quick and cost effective alternatives to litigation." *Id.* at 48. Certainly, limiting review to the PTAB's final decision without providing review of whether the PTAB exceeded its statutory authority in instituting the proceeding would be a disincentive to choose the administrative proceeding over litigation. There is no reason to believe Congress intended to limit the basis for an appeal of a final written decision, including whether the PTAB lacked authority to render it. If Congress so intended, it could have affirmatively expressed this limitation in sections 314 and 319, but did not.

The Federal Circuit's opinion below ignores this legislative intent in suggesting (but not deciding) that mandamus may be available to challenge the PTAB's decision to institute after a final written decision. Neither the statute nor the legislative history

even hint at the idea that mandamus is a realistic option, or the sole option, for review of an institution decision in cases where the USPTO has exceeded its statutory authority. The high burden placed on issuance of a writ of mandamus flies in the face of Congress' goal of providing a rapid, cost-effective and fair alternative to litigation.

Moreover, the Federal Circuit's decision here directly conflicts with another recent decision on judicial review of Covered Business Method (CBM) patent review proceedings. In *Versata Dev. Group v. SAP Am.*, 793 F.3d 1306, 1319 (Fed. Cir. 2015), the Federal Circuit held that institution of a CBM proceeding is reviewable after a final written decision to assess Director compliance with any requirement that involves the statutory authority of the Director to invalidate a patent. With regard to CBM proceedings, 35 U.S.C. § 324(e) governs institution decisions by the PTAB, and includes virtually identical language to section 314(d) regarding IPR institution decisions. Section 324(e) states that "[t]he determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable." In reaching the opposite conclusion it reached in the instant case, the Federal Circuit recognized that the language of section 324(e) "does not by its terms apply to limits on the authority to enter a 'final written decision' invalidating a patent." *Id.* The court in *Versata* discussed at length this Court's emphasis on the long tradition and strong presumption of judicial review of government action, and concluded that "nothing in § 324(e) meets the high standard for precluding review of whether the PTAB has violated its invalidation authority." *Versata* at 1320.

The outcome and rationale in *Versata* apply here with regard to section 314(d). The USPTO Director cannot with impunity exceed her statutory authority to invalidate a patent by improperly instituting an IPR proceeding. This Court's many decisions on judicial review of agency actions, the plain language of the statute itself, the legislative history of the AIA, and the Federal Circuit's own jurisprudence support this important restraint on the USPTO's ability to alter the legal rights of an affected stakeholder. Any other conclusion treats patent law administrative proceedings differently than other areas of law, and falls out of step with traditional administrative jurisprudence.

CONCLUSION

In the case of disparate patent claim construction standards in the courts and the USPTO, as endorsed by the *Cuozzo I* majority, the same government issued patent property will have different boundaries in concurrent proceedings before the PTAB and the courts. This anomalous result, contradicting well over a century of black letter patent law, is a direct result of the Federal Circuit acting out of step with established precedent for analyzing an agency's rule making authority, and erroneously relying on the unique traditions of the USPTO in proceedings unrelated to the newly created *inter partes* review proceedings. The resulting harm to the patent system is real, serious, and increasing as the number of pending IPRs grows each day. This Court has the opportunity to restore its jurisprudence to patent validity determinations issuing from the USPTO, and it should do so before the problem grows even further. For all the foregoing reasons, IPO respectfully re-

quests that this Court confirm that the proper claim construction standard in IPR proceedings is the plain and ordinary meaning standard, and that the Director's institution of an IPR is subject to judicial review after a final written decision to consider whether she has exceeded her statutory authority.

Respectfully submitted,

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In the
Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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CORPORATE DISCLOSURE STATEMENT

Amicus curiae states that it has no parent corporation and that no publicly held company owns more than 10% of its stock.

TABLE OF CONTENTS

CORPORATE DISCLOSURE STATEMENT i

TABLE OF AUTHORITIES iv

STATEMENT OF INTEREST 1

SUMMARY OF ARGUMENT 3

ARGUMENT 6

I. Congress' Endorsement Of The Ability To Amend Patent Claims During *Inter Partes* Review Provides Strong Support For Use Of The Broadest Reasonable Interpretation Standard 6

A. The Ability to Amend Claims and Application of the Broadest Reasonable Interpretation Standard are Inextricably Intertwined and, Working Together, Further the Aims of the Patent System and the AIA 6

B. Given The Pivotal Role Amendment Plays, it Is Critical That the Board and PTO Give Amendment its Congressionally-Intended Scope by Providing a Meaningful Ability to Amend. 14

II. The Board's Decision To Initiate *Inter Partes* Review Should Be Reviewable Under Limited Circumstances 22

A. Congress Placed Important Limitations on the Board's Authority to Institute *Inter Partes* Review, and the Federal Circuit Must Have Authority to Enforce Those Limitations 22

B. The Statute Does Not Require a Complete Ban on Judicial Review. 24

C. The Board's Interpretation Would Work a Serious Injury to the AIA's Design 29

CONCLUSION 34

TABLE OF AUTHORITIES

Cases

Abbott Labs. v. Gardner,
387 U.S. 136 (1967) 24

In re Am. Acad. of Sci. Tech. Ctr.,
367 F.3d 1359 (Fed. Cir. 2004) 7

Bennett v. Spear,
520 U.S. 154 (1997) 26

Bowen v. Mich. Acad. of Family Physicians,
476 U.S. 667 (1986) 24

Burlington Indus., Inc. v. Quigg,
822 F.2d 1581 (Fed. Cir. 1987) 11

Chi. Mercantile Exch., Inc. v. 5th Mkt., Inc.,
No. CBM2013-00027, 2014 WL 7273560
(P T.A.B. Dec.17, 2014) 15

Citizens to Pres. Overton Park v. Volpe,
401 U.S. 402 (1971) 28

Corning Optical Comms. RF, LLC
v. PPC Broadband, Inc.,
No. IPR2014-00441, Paper 19
(P.T.A.B. Oct. 30, 2014) 18

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134 S. Ct. 2175 (2014) 11

Dunlop v. Bachowski,
421 U.S. 560 (1975) 24

In re Etter,
756 F.2d 852 (Fed. Cir. 1985) 10

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474 U.S. 828 (1985) 10

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Festo Corp. v. Shoketsu Kogyo Kinzoku Kabushiki Co., 535 U.S. 722 (2002) 8

FTC v. Standard Oil Co. of Cal., 449 U.S. 232 (1980) 26

Gutierrez de Martinez v. Lamagno, 515 U.S. 417 (1995) 25

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Int'l Flavors & Fragrances, Inc. v. U.S. Dep't of Agric., No. IPR2013-00124, 2014 WL 2120542 (P.T.A.B. May 20, 2014) 15, 18

Lincoln v. Vigil, 508 U.S. 182 (1993) 28

Mach Mining, LLC v. EEOC, 135 S. Ct. 1645 (2015) 24

MasterImage 3D, Inc. v. RealD Inc., No. IPR2015-00040, Paper 42 (P T.A.B. July 15, 2015) 18

McClain v. Ortmayer, 141 U.S. 419 (1891) 8

Microsoft Corp. v. i4i Ltd. P'ship, 564 U.S. 91 (2011) 10

Nat'l Ass'n of Home Builders v. Defs. of Wildlife, 551 U.S. 644 (2007) 14

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Phillips v. AWH Corp., 415 F.3d 1303 (Fed. Cir. 2005) 9, 10, 13

In re Prater, 415 F.2d 1393 (C.C.P.A. 1969) 8

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Riverbed Tech., Inc. v. Silver Peak Sys., Inc., Nos. IPR2013-00402, IPR2013-00403, 2014 WL 7405745, 2014 WL 7405746 (P.T.A.B. Dec. 30, 2014) 15

SAP Am., Inc. v. Versata Dev. Grp., Inc., No. CBM2012-00001 (P.T.A.B. June 11, 2013) 14

Shalala v. Ill. Council on Long Term Care, Inc., 529 U.S. 1 (2000) 24

St. Jude Med., Cardiology Div., Inc. v. Volcano Corp., 749 F.3d 1373 (Fed. Cir. 2014) 27

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793 F.3d 1306 (Fed. Cir. 2015) 30

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740 F.2d 1569 (Fed. Cir. 1984) 7, 9

In re Zletz,
893 F.2d 319 (Fed. Cir. 1989) 11, 12

Statutes

5 U.S.C. §704 26

35 U.S.C. §141 25

35 U.S.C. §282 10

35 U.S.C. §311 ..... 22, 23, 31

35 U.S.C. §312 23

35 U.S.C. §313 23

35 U.S.C. §314 ..... 22, 23, 26, 30

35 U.S.C. §315 13

35 U.S.C. §316 ..... 6, 17, 18, 20

35 U.S.C. §319 25

35 U.S.C. §321 31

35 U.S.C. §324 30

35 U.S.C. §325 13

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Pub. L. No. 112-29, 125 Stat. 284 (2011) 2, 30, 31

Regulations

37 C.F.R. §42.100 8

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STATEMENT OF INTEREST[1]

International Business Machines Corporation (IBM) is a globally recognized leader in the field of information technology research, development, design, manufacturing, and related services. During IBM's more than 100-year history, its employees have included five Nobel laureates, five National Medal of Science recipients, and ten winners of the National Medal of Technology. The United States Patent and Trademark Office (PTO) has granted IBM tens of thousands of United States patents; more patents each year than any other entity for the last 23 years.[2] Accordingly, IBM has long served as a leading advocate for sound patent policy

In light of its sizeable patent portfolio and broad array of innovative products and services, IBM is a frequent participant in patent litigation, both in Article III tribunals and before the PTO, including in *inter partes* review proceedings before the Patent Trial and Appeal Board (Board). IBM therefore has a significant interest in ensuring that the patent laws are properly interpreted, and that *inter partes* review procedures accord with the will of Congress.

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[1] Pursuant to Supreme Court Rule 37.6, *amicus curiae* states that no counsel for any party authored this brief in whole or in part and that no entity or person, aside from *amicus curiae* and its counsel, made any monetary contribution toward the preparation or submission of this brief. Pursuant to Supreme Court Rule 37.3, counsel of record for all parties have consented to this filing in letters on file with the Clerk's office.

[2] *See, e.g.*, Press Release, IFI CLAIMS, IFI CLAIMS Announces 2015 U.S. Patent Rankings (Jan. 12, 2016), http://bit.ly/1TCB7bF (noting that IBM, with 7,355 patent grants in 2015, is the "perennial patent leader").

Moreover, IBM participated in the discussions surrounding enactment of the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), and is involved in *inter partes* review both as a patentee defending the validity of its patents and as a petitioner seeking a declaration of invalidity of the patents of others. It is therefore particularly well-positioned to provide a balanced view of the appropriate claim construction and amendment standards in *inter partes* review proceedings, and the proper role for the judiciary following the conclusion of those proceedings.

As a major force in the information technology industry, IBM has firsthand knowledge of the critical role *inter partes* review—properly implemented—can and should play in our intellectual property system. IBM believes it is crucial that this Court announce clear rules governing claim construction and amendment in *inter partes* review proceedings, as well as the judiciary's power to review the Board's decisions to institute review. This Court's decision will impact not only *inter partes* review proceedings, but other AIA post-grant proceedings—such as those involving covered business method patents—as well. IBM submits this brief in support of neither party to assist the Court in deciding these important issues.

SUMMARY OF ARGUMENT

The answer to the first question presented in this case is both clear and clearly informed by Congress' preservation of the ability to amend patent claims during *inter partes* review While the AIA does not expressly endorse application of any specific claim interpretation standard during *inter partes* review, it provides a robust ability for patentees to amend their claims during that process. The broadest reasonable interpretation standard and amendment have long worked hand in hand to serve the aims of our Nation's patent system—the development of clear and exact claim terms that limit the patent right to the patentee's inventive contribution, and provision of notice to the public regarding the metes and bounds of the claimed invention. And so long as patentees are provided the opportunity to amend claims afforded by Congress, applying the broadest reasonable interpretation standard in *inter partes* review will advance the goals of the AIA as well. The end result will be an efficient and cost-effective process that yields higher quality patents.

The ability to amend places *inter partes* review far afield from Article III proceedings where amendment is unavailable. Article III proceedings balance the interests of the patentee and alleged infringer by employing a presumption of patent validity, a clear and convincing evidentiary standard, and a plain meaning interpretive standard. The plain meaning standard results in a narrower construction of patent claims, which protects alleged infringers by minimizing the scope of a patentee's exclusivity, and patent holders by reducing the constellation of prior

art that could yield a finding of invalidity *Inter partes* review balances the relevant considerations differently: there is no statutorily-mandated presumption of validity, invalidity arguments are subjected to a lower burden of proof, and the broadest reasonable interpretation standard opens up the universe of relevant prior art to the maximum extent possible. There is, however, an ability to amend. Amendment provides a counterweight to the lower burden of establishing invalidity, lack of a statutory pro-patent presumption, and the more demanding broadest reasonable interpretation standard applied in *inter partes* review Amendment is thus the critical ingredient in a fair and balanced *inter partes* review system.

In light of the ability to amend, IBM supports the use of the broadest reasonable interpretation standard in *inter partes* review. IBM nonetheless agrees with petitioner and its amici that the current *inter partes* review regime is not operating as Congress intended. That is not, however, because of the application of the broadest reasonable interpretation standard; the high rate of claim cancellation in *inter partes* review is a direct result of the Board's unnecessary and inappropriate circumscription of the ability to amend claims. The AIA places only a handful of procedural and substantive limitations on the ability to amend. But the Board has added additional substantial burdens that have resulted in only five motions to amend being granted out of the 81 filed in completed *inter partes* reviews to date. Because it is the ability to amend that makes the use of the broadest reasonable interpretation standard appropriate, amendment

must be permitted to play its intended role in the *inter partes* review process. The ability to make amendments cannot be constrained beyond the limitations set forth in the AIA, and patent owners must have a meaningful opportunity to amend their claims. Were the ability to amend eliminated as a matter of law or Board practice, that would radically alter *inter partes* review proceedings such that application of the plain meaning standard would be the more appropriate course.

On the second question presented, IBM agrees that there are significant limits on the Federal Circuit's ability to review Board decisions to institute *inter partes* review. But those limits are not as absolute as the Director has argued. The Board's decision to decline to institute *inter partes* review is likely unreviewable. Courts are also likely without power to evaluate the Board's decision to institute review when a challenger claims that the review was based merely on an abuse of the discretion committed to the Board. But, given the longstanding presumption in favor of judicial review and lack of a clear signal from Congress that Board decisions to institute review are insulated from judicial scrutiny altogether, allegations that the Board exceeded the scope of its authority in instituting *inter partes* review should be judicially reviewable.

ARGUMENT

I. Congress' Endorsement Of The Ability To Amend Patent Claims During *Inter Partes* Review Provides Strong Support For Use Of The Broadest Reasonable Interpretation Standard.

A. The Ability to Amend Claims and Application of the Broadest Reasonable Interpretation Standard are Inextricably Intertwined and, Working Together, Further the Aims of the Patent System and the AIA.

The AIA does not expressly address the issue of whether the broadest reasonable interpretation standard should be utilized during *inter partes* review Pet.App.12a. It does, however, expressly provide patentees with the ability to amend their claims during the *inter partes* review process. Section 316(d), which is titled "[a]mendment of the patent," provides that "[d]uring an *inter partes* review." "the patent owner may file 1 motion to amend the patent" to "[c]ancel any challenged patent claim" and "propose a reasonable number of substitute claims." 35 U.S.C. §316(d)(1). Beyond these modest procedural limitations, the only other limitations on the ability to amend during *inter partes* review are that an amendment "may not enlarge the scope of the claims of the patent or introduce new matter." *Id.* §316(d)(3).

The ability to amend claims during *inter partes* review underscores the propriety of applying the broadest reasonable interpretation standard during the *inter partes* review process. Indeed, given the longstanding link between construing claims

pursuant to the broadest reasonable interpretation and amendment, the Court would be justified in holding that Congress' preservation of a broad ability to amend during *inter partes* review—without more—constitutes an implicit blessing of applying the broadest reasonable interpretation standard during that review

Amendment and the broadest reasonable interpretation standard have long worked in tandem to ensure both clarity in patent claims and that patents are limited in scope to the inventive contribution of the party being afforded patent rights. Applying the broadest reasonable interpretation standard "reduc[es] the possibility that claims" will later "be given broader scope than is justified." *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). And amendment ensures that the broadest construction paradigm does not result in unfairness to the applicant or patentee (depending on the proceeding) because he or she "has the opportunity to amend the claims to obtain more precise claim coverage." *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004). The "ability to amend the claims is key." and "the broadest possible interpretation methodology is applied" only in circumstances "where claims are also subject to amendment." John F. Duffy, *On Improving the Legal Process of Claim Interpretation. Administrative Alternatives*, 2 Wash. U. J.L. & Pol'y 109, 127 n.66 (2000) (citing *Yamamoto*, 740 F.2d at 1572 (applying broadest reasonable interpretation doctrine in reexamination proceedings because the patentee had "an opportunity ... to amend his claims to correspond with his contribution to the art"), and *In re Reuter*, 651 F.2d 751 (C.C.P.A. 1981) (applying the

broadest reasonable interpretation doctrine to reissue proceedings)); *see also In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969) (holding that the broadest reasonable interpretation standard is appropriate when amendment is available).[3]

Working together, the broadest reasonable interpretation standard and amendment promote the patent system's foundational goals. They encourage clarity and precision in claims and ensure that claims are confined to a patentee's actual inventive contribution. They also encourage patentees to remove ambiguities from their claims through amendment, which eliminates disparities between patent coverage and inventive contribution, and ensures that the metes and bounds of the invention are expressed in clear, precise, and unambiguous terms. Clarity in claim scope is now, and long has been, one of the defining aims of our Nation's patent system. *See McClain v. Ortmayer*, 141 U.S. 419, 424 (1891) ("When the terms of a claim in a patent are clear and distinct, (as they always should be,) the patentee, in a suit brought upon the patent, is bound by it. He can claim nothing beyond it."); *Festo Corp. v. Shoketsu Kogyo Kinzoku Kabushiki Co.*, 535 U.S. 722, 730 (2002) ("The monopoly is a property right; and like any property right, its boundaries should be clear."). That clarity provides the public with notice regarding

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[3] The PTO has long recognized the connection between the availability of amendment and the broadest reasonable interpretation standard. As just one example, only claims in "unexpired patents"—as opposed to expired patents not subject to amendment—are to "be given [their] broadest reasonable construction." 37 C.F.R. §42.100(b).

the confines of the invention. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 33-34 (1997) (underscoring "the role of claims in defining an invention and providing public notice").

More than providing support for using the broadest reasonable interpretation standard in *inter partes* review, the availability of amendment critically undermines petitioner's favored alternative. Petitioner asserts that the standard applied in Article III proceedings—*viz.* the "ordinary meaning" standard articulated in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (en banc)—should be applied when interpreting claims during *inter partes* review because that review is akin to an Article III proceeding. Pet.Br.27-31. But the fact that amendment is available in *inter partes* review and not in patent litigation in federal district court is an absolutely critical difference. "An applicant's ability to amend his claims to avoid cited prior art," which "is not available in an infringement action in district court," "distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents." *Yamamoto*, 740 F.2d at 1571 72. While *inter partes* review undoubtedly possesses some of the characteristics of Article III litigation—such as an adversarial posture, limited discovery, and some witness testimony—the ability to amend in *inter partes* review proceedings makes them different in kind from Article III adjudications.

Moreover, the analytical underpinnings of Article III adjudications and *inter partes* reviews are fundamentally different. Article III proceedings balance the interests of the patentee and alleged

infringer by employing a presumption of patent validity, 35 U.S.C. §282, a clear and convincing evidentiary standard, *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 91 (2011), and a plain and ordinary meaning standard of interpretation, *Phillips*, 415 F.3d at 1314. The plain and ordinary meaning standard results in a narrower construction of patent claims, which protects both alleged infringers (by minimizing the scope of a patentee's exclusivity) and patent holders (by reducing the size of the universe of prior art that could yield a finding of invalidity). *Inter partes* review balances the relevant considerations differently There is a lower burden of proof for establishing invalidity—preponderance of the evidence, 35 U.S.C. §316(e)—and the broadest reasonable interpretation standard opens up the universe of relevant prior art to the maximum extent possible. There is no statutorily-mandated presumption of validity in these proceedings. *See, e.g.*, *In re Etter*, 756 F.2d 852, 858 (Fed. Cir.) (en banc) (holding that "§282 has no application in reexamination proceedings"), *cert. denied sub nom.*, *Etter v. Comm'r of Patents & Trademarks*, 474 U.S. 828 (1985). There is, however, an ability to amend. Amendment serves as a counterweight to the lower burden of establishing invalidity, lack of a statutory pro-patent presumption, and application of the more demanding broadest reasonable interpretation standard. Amendment is thus a significant and dispositive reason for distinguishing Article III proceedings from *inter partes* review and for applying different interpretive standards in these settings; amendment is the lynchpin of a fair and balanced *inter partes* review system.

Contrary to petitioner's arguments, the broadest reasonable interpretation standard—so long as it is accompanied by a meaningful ability to amend—is the only standard that actually advances the goals of the AIA. Pet.Br.32. Indeed, given the preservation of amendment and nexus between amendment and the broadest reasonable interpretation standard, the only tenable conclusion is that Congress viewed amendment and the broad construction standard as part and parcel of achieving its aims. *See, e.g.*, *CTS Corp. v. Waldburger*, 134 S. Ct. 2175, 2185 (2014) ("Congressional intent is discerned primarily from the statutory text.").

One of the primary objectives of the AIA was to "provide a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court." H.R. Rep. No. 112-98, at 48 (2011). Properly applied, amendment and the broadest reasonable interpretation standard do just that. The broadest reasonable interpretation standard enables a "complete exploration" of the patentee's invention and "its relation to the prior art." *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989). Amendment then ensures that any ambiguities identified can be clarified. *See id.* ("when claims can be amended, ambiguities should be recognized, scope and breadth of language explored, and clarification imposed"); *see also Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987).

In other words, applying the broadest reasonable interpretation standard and allowing amendment can yield only three possible outcomes, all of which serve the AIA's goal of increasing the quality of patents in

force: (1) the review confirms that the claims as originally drafted are neither unduly ambiguous nor obvious and that the patent is properly entitled to the statutory presumption of validity; (2) weaknesses in the claims not previously uncovered during the examination process are identified and corrected, resulting in a higher quality patent; or (3) the claims are cancelled and a weak patent is eliminated. The end result is that the patents that survive *inter partes* review "are precise, clear, correct, and unambiguous." *Zletz*, 893 F.2d at 322.

Application of the broadest reasonable interpretation standard and the ability to amend further the AIA's other goals as well. There can be little doubt that the clarifying function served by the broadest reasonable interpretation standard and amendment is a "quick and cost effective alternative [ ] to litigation." H.R. Rep. No. 112-98, at 48. Claims that are cancelled as a result of *inter partes* review, assuming that action is affirmed on appeal, will not be litigated in district court. The same may be true of claims that are clarified through the amendment process. Once claims are amended to eliminate ambiguity and narrowed to cover the patentee's actual inventive contribution, there may no longer be a need to litigate validity claims with respect to that patent.[4]

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[4] Amendment itself is not a significant driver of cost. At least in the application context, the costs associated with preparing and filing an amendment are less than a third of the costs associated with preparing the original application itself—between $2,000 and $4,000. Am. Intell. Prop. L. Ass'n, *Report of the Economic Survey* I-90-91, I-108-11 (2015).

The argument that the *Phillips* standard would serve the AIA's ends gets things exactly backwards. A plain meaning regime would constrain the Board's inquiry such that it could not examine the full range of arguably applicable prior art. This would reduce the efficacy of *inter partes* review as a patent quality assurance process. And combined with the availability of amendment (properly construed), the end result would be a less rigorous examination of a patent's claims than occurs during ordinary examination. That is clearly not what Congress intended.

Moreover, applying the *Phillips* standard during *inter partes* review would also be less efficient and more expensive. Plain meaning review would, among other things, require an exploration into how a person of ordinary skill in the art would construe the claims. *See Phillips*, 415 F.3d at 1314 (ordinary meaning is the meaning "as understood by a person of skill in the art"). That principle flows from the fact that "patents are addressed to and intended to be read by others of skill in the pertinent art." *Id.* at 1313. In most cases, that means that experts will need to get involved in order to provide the perspective of a skilled artisan.

Along the same lines, the AIA gives the PTO the discretion to consolidate *inter partes* review proceedings with other proceedings—where amendment is also available, such as *ex parte* reexamination. *See* 35 U.S.C. §§315(d), 325(d). *Ex parte* reexamination has long employed the broadest reasonable interpretation standard based on the availability of amendment, and the propriety of that longstanding use is not at issue here. It would be more

than passing strange to allow the consolidation of *inter partes* and *ex parte* review, but then require the application of different interpretive rubrics in different portions of the consolidated matter. *See* Pet App.20a (discussing consolidation issue). But that is exactly what would happen if petitioner's position were endorsed. The Board has encountered exactly this problem in various proceedings and cited the unworkable nature of applying different interpretive rules as yet another reason supporting the use of the broadest construction methodology in Board proceedings. *See, e.g.*, *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, No. CBM2012-00001 (P.T.A.B. June 11, 2013). It is unlikely that, through the AIA, Congress intended to create a system that would require the application of different outcome-determinative standards within a single consolidated proceeding. *See, e.g.*, *Nat'l Ass'n of Home Builders v. Defs. of Wildlife*, 551 U.S. 644, 666 (2007) (declining to interpret a statute as imposing divergent mandates on an agency).

B. Given The Pivotal Role Amendment Plays, it Is Critical That the Board and PTO Give Amendment its Congressionally-Intended Scope by Providing a Meaningful Ability to Amend.

As petitioner emphasizes, *inter partes* review has become more popular than expected and has resulted in the cancellation of hundreds of patent claims. Of the 732 *inter partes* reviews completed to date, 636—or approximately 87%—have resulted "in cancellation of some or all of the patent claims" at issue. Pet.Br.34

(citing U.S. Patent and Trademark Off., *Patent Trial and Appeal Board Statistics* 9 (Dec. 31, 2015), http://1.usa.gov/1pttqYz. In IBM's view, however, that result is not the product of an ill-founded application of the broadest reasonable interpretation standard, as petitioner suggests. Nor is it merely a reflection of the lack of integrity of the patents reviewed thus far through the *inter partes* process, or a commentary on the quality of the underlying examinations for these patents by the PTO. The rate of cancellation, which is substantially higher than in analogous pre-AIA proceedings, is largely the result of the Board's adoption of an unduly burdensome set of requirements for allowing amendment.

Of the 81 motions to amend filed in *inter partes* review proceedings of which IBM is presently aware, only five have been granted. *See Reg Synthetic Fuels LLC v. Neste Oil OYJ.* No. IPR2014-00192, 2015 WL 3609359 (P.T.A.B. June 5, 2015); *Chi. Mercantile Exch., Inc. v. 5th Mkt., Inc.*, No. CBM2013-00027, 2014 WL 7273560 (P.T.A.B. Dec.17, 2014); *Riverbed Tech., Inc. v. Silver Peak Sys.*, Inc., Nos. IPR2013-00402, IPR2013-00403, 2014 WL 7405745, 2014 WL 7405746 (P.T.A.B. Dec. 30, 2014); *Int'l Flavors & Fragrances, Inc. v. U.S. Dep't of Agric.*, No. IPR2013-00124, 2014 WL 2120542 (P T.A.B. May 20, 2014). The numbers are even worse when viewed at the claim level. Of the 442 claims for which amendment was sought, the Board allowed amendment for just 27 claims, and 19 of the 27 were amendments asserted by the government and otherwise unopposed, leaving a mere 8 out of 423 (or just under 2%) where private party amendment was allowed. *See Int'l Flavors & Fragrances*, 2014 WL 2120542 (May 20, 2014).

What is more, these already troubling figures likely fail to capture the full impact of the Board's current practices regarding amendment. As noted *supra*, amendment is often not a costly undertaking as compared to other aspects of patent prosecution and litigation, but it is not free. It is thus entirely possible that many patentees involved in *inter partes* review have rationally declined to move to amend their claims in light of the Board's apparent hesitance to grant such motions. The available data supports that hypothesis. There were 299 proposed substitute claims submitted to the Board between January 1, 2014, and December 31, 2014. *See* Daniel F Klodowski, *Patent Owners Proposing Fewer Substitute Claims During IPR Proceedings*, America Invents Act, (May 19, 2015), http://bit.ly/1QEETLn. Only 55 such claims were submitted between January 1, 2015, and May 1, 2015—"a marked decrease in the rate at which patent owners have sought substitute claims in" *inter partes* review "proceedings compared to" 2014. *Id.*[5]

Given the miserly rate at which amendments have been permitted in *inter partes* review, one would expect to find substantial restrictions on a patentee's ability to amend in the AIA. As already discussed, however, the opposite is true. So long as a patentee files a motion to amend that cancels a "challenged

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[5] The Board's lack of receptiveness to amendment may also be forcing patentees into settlements. The number of post-*inter partes* review institution settlements increased from 104 to 189 from 2014 to 2015. U.S. Patent and Trademark Off., *Patent Trial and Appeal Board Statistics* 8 (Jan. 31, 2016), http://1.usa.gov/24KQcLw (PTO Statistics). And the number of pre-institution settlements increased from 106 to 275 over the same time period. *Id.*

patent claim" and "propose[s] a reasonable number of substitute claims," 35 U.S.C. §316(d)(1), the only constraints are that the patentee "may not enlarge the scope of the claims of the patent or introduce new matter," *id.* §316(d)(3).

The regulations implementing these provisions also do not establish a regime where amendment is the exception rather than the rule. Nor could they given the sparse limitations on amendment in the AIA itself. The relevant regulations provide that a "patent owner may file one motion to amend ... after conferring with the Board." 37 C.F.R. §42.221(a). That motion "must be filed no later than the filing of a patent owner response," and "may be denied" only when "the amendment does not respond to a ground of unpatentability involved in the" review, the "amendment seeks to enlarge the scope of the claims of the patent," or seeks "to introduce new subject matter." *Id.* §42.221(a)(1)-(2). While there is a "presumption" "that only one substitute claim would be needed to replace each challenged claim," that presumption "may be rebutted by a demonstration of need." *Id.* §42.221(a)(3). A second motion to amend may be filed with "Board authorization." *Id.* §42.221(c).

A straightforward application of the AIA's amendment provisions and the PTO's implementing regulations would be unproblematic and almost certainly would have resulted in more than five out of 81 amendment motions being granted. But the Board has imposed additional burdens in practice that have made it difficult for patentees to amend claims successfully during *inter partes* review. Current

Board practice requires patent owners, among other things, "to show a patentable distinction of each proposed substitute claim over the prior art," and "persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner." *Idle Free Sys., Inc. v. Bergstrom, Inc.*, No. IPR2012-00027, 2013 WL 5947697, at *4 (P.T.A.B. June 11, 2013); *see also MasterImage 3D, Inc. v. RealD Inc.*, No. IPR2015-00040, Paper 42 at 2-3 (P.T.A.B. July 15, 2015) (clarifying scope of "prior art of record" and "prior art known to the patent owner" (quotation marks omitted)); Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50,720, 50,724 (Aug. 20, 2015) (Rules of Practice Amendments) (pointing to *Idle Free*, *MasterImage*, *Int'l Flavors & Fragrances*, *Corning Optical Comms. RF, LLC v. PPC Broadband, Inc.*, No. IPR2014-00441, Paper 19, (P T.A.B. Oct. 30, 2014), *Riverbed Tech.*, and *Reg Synthetic Fuels* as Board decisions providing "further guidance" on motions to amend).[6]

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[6] Timing and resource concerns may, at least in part, account for the Board's narrow construction of the amendment right as a descriptive matter. All else being equal, amendment could cause some delay and the AIA requires completion of the *inter partes* review process within one year of institution absent good cause. 35 U.S.C. §316(a)(11). The limited number of proceedings where amendment has been permitted demonstrate that any timing-related concerns are manageable. In all events, honoring the statutorily-mandated ability to amend would surely provide good cause for exceeding the AIA's aspirational one year time limit, and it is far better for a functioning patent quality assurance system to spend some additional time and resources on review rather than preclude amendment.

Idle Free and its progeny have resulted in two related problems, both of which unduly constrain the ability to amend. The first is that what is necessary to amend patent claims successfully is unclear; the relevant "guidance" is scattered across five Board decisions. Rules of Practice Amendments, 80 Fed. Reg. at 50,724. A formal promulgation of the governing rules in the Code of Federal Regulations would better serve the purposes of all involved and put both patentees and petitioners on clear notice regarding *inter partes* review amendment requirements.

The second problem is that what clear guidance has emerged from *Idle Free* is inconsistent with the AIA and controlling regulation, and has made it far too difficult to amend claims during *inter partes* review. Specifically. in *Idle Free*, the Board held that the "patent owner bears the burden" "to show a patentable distinction of each proposed substitute claim over the prior art." *Idle Free*, 2013 WL 5947697, at *4; *see id.* ("The burden is not on the petitioner to show unpatentability, but on the patent owner to show patentable distinction over the prior art."). There is no basis for imposing such an extraordinary burden on the patent owner in the AIA itself. Nor is that burden justified by PTO regulations. In *Idle Free*, the Board cited 47 C.F.R. §42.20, as mandating imposition of this requirement. But that regulation merely provides that, as a general matter, "[t]he moving party has the burden of proof to establish that it is entitled to the requested relief." 47 C.F.R. §42.20(c). At most, consistent with the AIA's *inter partes* review amendment provisions, that regulation requires a patentee to establish that its motion does not seek to

"enlarge the scope of the claims of the patent or introduce new matter." 35 U.S.C. §316(d)(3). There is no statutory basis for requiring anything more.

IBM respectfully submits that, should this Court affirm the Federal Circuit and hold that application of the broadest reasonable interpretation standard is appropriate in *inter partes* review, it should make clear that the availability of amendment is a necessary predicate for its holding. In doing so, the Court should underscore that the broadest reasonable interpretation standard makes sense only when it is accompanied by a *meaningful* ability to amend. If the Board continues down the path of making it inordinately difficult to amend claims during *inter partes* review, then the broadest reasonable interpretation construct would become unsustainable. The result would be an unbalanced review process that stacks the deck against finding the patent in review valid.

IBM believes that the ability to amend and the broadest reasonable interpretation standard go hand in hand. Because the AIA expressly provides for amendment, it implicitly embraces the broadest construction standard. If, however, the ability to amend were to be eliminated—or effectively eliminated through Board policies making amendment practically impossible—then IBM would favor application of the *Phillips* ordinary meaning standard. The broadest reasonable interpretation standard serves the aims of our Nation's patent system generally, and the AIA specifically, only when accompanied by a robust ability to amend. Removing amendment from the *inter partes* review process

would radically alter the character of the procedure and make it much more akin to an Article III adjudication. Without an ability to amend, application of the broadest reasonable interpretation standard places broad swaths of patents that would survive scrutiny under a plain meaning standard at risk of invalidation. A meaningful ability to amend is fundamental.[7]

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IBM respectfully submits that this Court should affirm the Federal Circuit with respect to its sanctioning of application of the broadest reasonable interpretation standard in *inter partes* review. In doing so, the Court should make clear that the AIA's express preservation of the ability to amend is the driving force behind its decision and send a clear signal to the Federal Circuit, the PTO, and the Board that amendment cannot be constrained beyond the limitations set forth in the AIA.

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[7] IBM is of the view that, after an initial rebellion against amendment during *inter partes* review, the law may be heading in the right direction. The Federal Circuit's recent decision in *Nike, Inc. v. Adidas AG*, No. 2014-1719, 2016 WL 537609 (Fed. Cir. Feb. 11, 2016), is illustrative. In that case, the Board had held that Nike's uncontested statement that its "proposed substitute claims" were patentable "over prior art not of record but known to the patent owner" was insufficient to support amendment under the Board's decision in *Idle Free*. On appeal, the Federal Circuit held that "the heart" of this requirement was simply an obligation to "submit[] the necessary information to comply with" a patent owner's "duty of candor to the office." *Id.* at *20. Accordingly, a statement that substitute claims are patentable "over prior art not of record but known to the patent owner" was sufficient to support amendment under *Idle Free* "absent an allegation of conduct violating the duty of candor." *Id.*

II. The Board's Decision To Initiate *Inter Partes* Review Should Be Reviewable Under Limited Circumstances.

A. Congress Placed Important Limitations on the Board's Authority to Institute *Inter Partes* Review, and the Federal Circuit Must Have Authority to Enforce Those Limitations.

There is no doubt that Congress left significant aspects of the decision whether to institute *inter partes* review to the Board's discretion.[8] But the confines of that discretion were specifically defined by Congress. As the Director explained in her brief in opposition, "the statute establishes various prerequisites to the PTO's institution of *inter partes* reviews." BIO 20 n.6. First, *inter partes* review is limited to deciding invalidity based on either novelty or obviousness over the prior art, and only where the prior art "consist[s] of patents or printed publications." 35 U.S.C. §311(b). Second, the statute provides:

> The Director may not authorize an *inter partes* review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

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[8] Congress in fact granted this authority to the Director of the PTO, *see* 35 U.S.C. §314(d), but she has delegated that authority to the Board, *see* 37 C.F.R. §42.108.

Id. §314(a). The AIA lays out the information which must be included in the petition and response. As relevant here, it requires that the petition "identif[y], in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." *Id.* §312(a)(3); *see also* 37 C.F.R. §42.104(b) (laying out in further detail the required contents of a petition). The response, meanwhile, must set "forth reasons why no *inter partes* review should be instituted based upon the failure of the petition to meet any requirement of this chapter." 35 U.S.C. §313.

Taken together, these provisions establish that the Board may institute *inter partes* review (1) only as to claims specifically identified in the petition; (2) only if the "grounds on which the challenge to each claim is based, and the evidence that supports the grounds" found in the petition, and nowhere else, establish "a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition"; and (3) only so long as the grounds for invalidity are novelty or obviousness in view of "prior art consisting either of patents or printed publications." *Id.* §§311(b), 312(a)(3), 314(a). If the Board institutes *inter partes* review in the absence of *any* of these requirements, its action is *ultra vires* and beyond the authority granted by Congress.

The Director does not disagree with any of this. *See* BIO 20 n.6. She argues, however, that Congress made the Board the sole arbiter of whether it has exceeded its authority The Federal Circuit agreed, holding in essence that the Board alone decides

whether it has transgressed the limits of its authority to place a patentee's property into jeopardy.

This view is both extraordinary and unnecessary. Although the AIA limits the scope of the judiciary's review of the Board's decisionmaking—as do many statutes governing review of agency action—it does not wholly except the Board's decision to place a patent in *inter partes* review from judicial scrutiny.

B. The Statute Does Not Require a Complete Ban on Judicial Review.

The review provisions of the AIA cannot be read *in vacuo*. "Congress rarely intends to prevent courts from enforcing its directives to federal agencies. For that reason, this Court applies a 'strong presumption' favoring judicial review of administrative action." *Mach Mining, LLC v. EEOC*, 135 S. Ct. 1645, 1651 (2015) (quoting *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986)). It can be overcome only if "there is persuasive reason to believe that" Congress intended to depart from it. *Abbott Labs. v. Gardner*, 387 U.S. 136, 140 (1967). "[T]he agency bears a 'heavy burden' in attempting to show that Congress 'prohibit[ed] all judicial review' of the agency's compliance with a legislative mandate." *Mach Mining*, 135 S. Ct. at 1651 (quoting *Dunlop v. Bachowski*, 421 U.S. 560, 567 (1975)).

"The rationale for this presumption is straightforward enough: Our constitutional structure contemplates judicial review as a check on administrative action that is in disregard of legislative mandates ...." *Shalala v. Ill. Council on Long Term Care, Inc.*, 529 U.S. 1, 44 (2000) (Thomas, J., dissenting) (citation and quotation marks omitted).

> Chief Justice Marshall long ago captured the essential idea: "It would excite some surprise if, in a government of laws and of principle, furnished with a department whose appropriate duty it is to decide questions of right, not only between individuals, but between the government and individuals; a ministerial officer might, at his discretion, issue this powerful process ... leaving to [the claimant] no remedy, no appeal to the laws of his country, if he should believe the claim to be unjust. But this anomaly does not exist; this imputation cannot be cast on the legislature of the United States."

Gutierrez de Martinez v. Lamagno, 515 U.S. 417, 424 (1995) (quoting *United States v. Nourse,* 34 U.S. (9 Pet.) 8, 28–29 (1835) (Marshall, C.J.)).

This presumption is not overcome by the AIA. Section 319 provides: "A party dissatisfied with the final written decision of the [Board] under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the *inter partes* review shall have the right to be a party to the appeal." 35 U.S.C. §319. Section 141(c) provides that "[a] party to an *inter partes* review ... who is dissatisfied with the final written decision of the [Board] under section 318(a) ... may appeal the Board's decision only to the" Federal Circuit. *Id.* §141(c). The plain text of the AIA thus undoubtedly provides for comprehensive review of Board decisions.

The Federal Circuit's decision, however, started neither with the longstanding presumption of judicial review of agency action, nor with the statute broadly

authorizing review of the Board's final *inter partes* review decisions. Instead, it began with section 314(d), which provides that "[t]he determination by the [Board] whether to institute an *inter partes* review under this section shall be final and nonappealable." 35 U.S.C. §314(d). Based on this language, the Federal Circuit concluded that Congress intended to completely preclude judicial review of the Board's decision to institute *inter partes* review, notwithstanding the clear constraints Congress has placed on that decision. The Federal Circuit is simply mistaken.

The better reading of section 314(d), in light of the presumption in favor of judicial review and the AIA's specific grant of authority to the Federal Circuit to conduct that review, is that it forbids review of the decision to institute review until after the conclusion of *inter partes* review proceedings. This interpretation accords with background principles of administrative law It is well-settled that judicial review of agency action generally is limited to "final agency action." *See, e.g.*, 5 U.S.C. §704 (only "final" agency action is reviewable). The decision to institute proceedings is not normally final. *See, e.g., FTC v. Standard Oil Co. of Cal.*, 449 U.S. 232, 239 (1980); *see generally Bennett v. Spear* 520 U.S. 154, 177-78 (1997). Given the difficulty that frequently attends the question whether an agency action is final, Congress' declaration of nonappealability simply makes clear that the decision to institute proceedings does not "mark the consummation of the agency's decisionmaking process" on the question of patent invalidity, and no court should intervene. *See Bennett*, 520 U.S. at 178 (quotation marks omitted). And by

forbidding interlocutory judicial review, Congress ensured that *inter partes* review would provide a speedy alternative to the ordinarily slow pace of patent litigation. *See* Pet.App.32a-33a (Newman, J., dissenting).[9]

This view of the judicial role is entirely consistent with entrusting the Board with broad discretion regarding whether to institute *inter partes* review. Specifically, nothing in the AIA suggests that the Board's refusal to initiate *inter partes* review may be considered by Article III courts. As Senator Kyl explained, the AIA "reflects a legislative judgment" that the Board should have authority to "turn away some petitions that otherwise satisfy the threshold for instituting an *inter partes* review" 157 Cong. Rec. S1377 (Mar. 8, 2011) (statement of Sen. Kyl). Put differently, while whether an exercise of Board authority to institute *inter partes* review may be scrutinized for compliance with the preconditions for doing so, its decision to decline to institute *inter partes* proceedings is unreviewable. *See, e.g., St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375 (Fed. Cir. 2014) (holding denial of *inter partes* review petition unreviewable).

Section 314(d) also fairly can be read to circumscribe judicial review under section 319 when the petitioner merely challenges how the Board has affirmatively exercised the authority that is

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[9] The appearance of the word "final" in section 314(d) should not be read to make the action "final" for purposes of judicial review. It is better read to declare that once the institution decision is made, it need not be reconsidered by the Director or Board.

committed to its discretion. Any appeal of a Board decision to institute review proceedings when all of the statutory prerequisites are satisfied would be barred by section 314(d). This interpretation is consistent with background principles of administrative law Congress has long excepted from judicial review agency action committed exclusively to agency discretion. *See Lincoln v. Vigil*, 508 U.S. 182 (1993); *Heckler v. Chaney*, 470 U.S. 821 (1985); *Citizens to Pres. Overton Park v. Volpe*, 401 U.S. 402 (1971). Statutory text, structure, and legislative history make clear that, so long as the threshold requirements are met, the Board has nearly unfettered discretion to grant or deny a petition for *inter partes* review.

But these considerations carry no weight where the Board has exceeded its congressional mandate. Nothing in the AIA suggests that Congress meant to except from judicial review those instances in which the Board has exceeded its statutory authority. Indeed, it is inconceivable that Congress would so carefully delineate the contours of the Board's authority to institute *inter partes* review proceedings and then strip federal courts of the authority to ensure that the Board acted within those confines. The proper reading of the statute is that it bars interlocutory review of decisions declining to institute *inter partes* review, and review of Board decisions to institute review based on the considerations outlined by Congress, but allows review of decisions to institute review alleged to be *ultra vires* after the conclusion of the *inter partes* review proceeding.

C. The Board's Interpretation Would Work a Serious Injury to the AIA's Design.

Congress carefully limited the Board's authority to institute *inter partes* review proceedings. It may institute proceedings to decide invalidity only on claims identified by the petition, only on two discreet grounds, based only on evidence and arguments presented by the petitioner, and only if the Board determines that there is a "reasonable likelihood" that the petitioner is likely to prevail on at least one claim. Any time the Board disregards any of these requirements, it expands its authority beyond what Congress conferred. If decisions to institute *inter partes* review are deemed categorically unreviewable, such accretions of power will go uncorrected indefinitely.

For example, in this case, the Board considered with regard to some claims in the petition prior art presented by petitioner with regard to other claims. This act was plainly *ultra vires*. But this violation is relatively mild compared to other violations the Board could commit. The Board could consider prior art appearing nowhere in the petition, instead conducting its own research and selecting its own combinations. Consider an even more egregious example: In a case featuring a petition challenging the validity of certain claims, nothing would prevent the Board from granting the petition with regard to those claims and *other* claims in the patent that it believes appropriately should be included in the *inter partes* review proceedings. It could also decide, after looking at a petition, that some of the claimed subject matter may be ineligible for patent protection under 35 U.S.C.

§101, and thus institute proceedings to decide that question, even though that is not a proper inquiry in *inter partes* review. In the Director's view, the only thing standing between the Board and such an expansion of its own authority is voluntary restraint. Congress surely did not contemplate such a system.

Lest there be any doubt, embracing the view of Board discretion advanced by the Director will have consequences beyond *inter partes* review. Section 324(e) circumscribes judicial review of other AIA post-grant proceedings on the same terms as section 314(d). *Compare* 35 U.S.C. §314(d), *with* 35 U.S.C. §324(e). Adopting the Director's position could thus mean, for instance, that a decision that a patent is a "covered business method patent" subject to review under the specified covered business method patent review procedures was unreviewable. *See Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1315 (Fed. Cir. 2015) (holding that §324(e) applies to covered business method patent proceedings). A "covered business method patent" is "a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service." AIA §18(d)(1), 125 Stat. at 331, *see* 37 C.F.R. §42.301(a). "Technological inventions"—inventions that "recite[] a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution"—are expressly excluded from the definition of "covered business method patents." 37 C.F.R. §42.301(a), (b).

Of course, the Federal Circuit in *Versata*, 793 F.3d 1306, held that section 324(e), although largely

indistinguishable from section 314(d), authorized judicial review of the threshold question of whether a particular patent is a "covered business method patent." As both parties agree, *Versata* and *Cuozzo* are difficult to reconcile, *see* Pet.22; BIO 21-22, and a decision from this Court affirming the decision below could very well call the continuing validity of *Versata* into question. And were *Versata* to be overruled, that would mean that a Board decision to initiate post-grant review of a technological invention based on a clearly erroneous conclusion that the invention, in fact, falls within the definition of a "covered business method patent," is unreviewable. That is clearly not what Congress intended.

Insulating the decision to institute covered business method patent proceedings from judicial review would be particularly problematic. Covered business method patent review allows the broadest possible consideration of the patent's validity by incorporating the standard for post-grant review. *Compare* 35 U.S.C. §311(b) (invalidity only under sections 102 and 103), *with* AIA §18(a)(1), 125 Stat. at 329, 35 U.S.C. §321(b), and 37 C.F.R. §42.304(b)(2) (invalidity under any statutory ground). And whereas post-grant review petitions must be filed within nine months of the date of the grant, covered business method patent proceedings may be initiated at any point during the term of the patent before the controlling review provisions sunset in 2020. *Compare* 35 U.S.C. §321(c) (post-grant review), *with* AIA §18(a)(1)(A), 125 Stat. at 329, and 37 C.F.R. §42.303 (covered business method review). Withholding review would thus subject patents of any

vintage to administrative action on all grounds of patentability without meaningful judicial scrutiny.

The adverse consequences of this lack of Article III oversight would be compounded by the fact that the Board has, in practice, given a very broad reading to the definition of "covered business method" while giving the technological invention exception a narrow one. *See, e.g.*, Jason E. Stach & Andrew G. Strickland, *Exploring the Expanding Scope of Covered Business Method Reviews*, 26 Intell. Prop. & Tech. L.J. 20 (2014); *Symphony Health Solutions Corp. v. IMS Health, Inc.*, No. CBM2015-00085 (P.T.A.B. Sept. 10, 2015) (a commercial business method patent's claims need not "particularly target the financial industry"); *FedEx Corp. v. Ronald A. Katz Tech. Licensing, L.P.*, CBM2015-00053, Paper 9 at 8-9 (P.T.A.B. June 29, 2015) (commercial business method patents include patents that claim activities "incidental" or "complementary" to a commercial transaction); *see also* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (rejecting the argument that "'financial product or service'" is limited to the "products or services of the financial services industry"). And given that covered business method patent proceedings have resulted in cancellation of the patent claims at issue more than 90% of the time, *see* PTO Statistics 13 (96% of written decisions resulting in cancellation or unpatentability finding); *accord* Justin Oliver et al., *Is PTAB 'death squad' just a myth?*, Intell. Prop. Mag. 48, 49 (June 2015), the need for judicial review of the threshold

question of whether the patent in fact involves a covered business method is imperative.

Without judicial review. there is no reason to believe that Board errors will not be institutionalized and proliferate. As errors cascade from case to case, it is entirely possible that these unchecked errors will result in a review institution process that is completely arbitrary. Decisions will no longer be tethered to the statutory criteria, but will instead be based on the idiosyncrasies of individual cases and Board panels. The statutory limitations will be rendered inert, and the system will depend on the will of the decisionmaker.

What is more, denying judicial review will also seriously undermine the *inter partes* review process itself. While *inter partes* review is not an Article III adjudication, it is meant to be adversarial. As such, discovering the truth depends, as Lord Eldon reminds us, on both sides zealously presenting their cases to the decisionmaker. This principle is not limited to the merits of *inter partes* review, but also includes the decision to institute that review in the first place. Limiting the grounds for instituting *inter partes* review to those raised in the petition facilitates the adversarial process by ensuring that the respondent is fully aware of the arguments and evidence raised against it, and can fully respond to them. If the Board is free to institute *inter partes* review proceedings for whatever reason it deems appropriate, respondents will be left to guess at the issues the Board deems important and hope that their response correctly anticipates those issues. That is not an adversarial proceeding in any meaningful sense of the term.

CONCLUSION

For the foregoing reasons, this Court should hold that the application of the broadest reasonable interpretation standard in *inter partes* review proceedings is appropriate because of the availability of amendment. This Court should further hold that judicial review of Board decisions to institute *inter partes* review are reviewable under the limited circumstances discussed herein.

Respectfully submitted,

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In the

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* LICENSING EXECUTIVES SOCIETY (U.S.A. AND CANADA), INC. IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

I. INTEREST OF AMICUS CURIAE 1

II. SUMMARY OF ARGUMENT 2

III. ARGUMENT 4

A. Background on the value of patents, patent licensing and the AIA with broadest reasonable construction 4

B. Patent owners are losing their patents in IPRs where patent claims properly interpreted under Phillips have not been proven to be invalid 14

IV. CONCLUSION 19

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Atlas Roofing v. Occupational Safety and Health Review Comm'n.,
430 U.S. 442 (1977) 12

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575 U.S. __, 135 S.Ct. 1293 (2015) 13

Eldred v. Ashcroft,
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492 U.S. 33 (1989) 12

Knorr-Bremse v. Dana Corp.,
383 F.3d 1337 (Fed. Cir. 2004) 8

Markman v. Westview Instruments, Inc.,
517 U.S. 370 (1996) 3, 4, 5, 6

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135 S. Ct. 831 (2015) 3

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Statutes

35 U.S.C. § 271 6

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http://www.autm.net 7

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H.R. Rep. No. 112-98 (2011) 5

Michelle Lee, Deputy Under Secretary of
Commerce for
IP and USPTO Deputy Director,
Remarks at American Intellectual Property
Law
Association (AIPLA)
Mid-Winter Meeting January 30, 2014.....11

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Inc.,
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and the U.S. Economy:
Industries in Focus (2013) 4

USPTO Patent Trial and Appeal Board Statistics 1/31-2016 9

Constitutional Provisions

U.S. Const. Art. I. Sec. 8, Clause 8 4

I. INTEREST OF *AMICUS CURIAE*

The Licensing Executives Society (U.S.A. and Canada), Inc. ("LES") is an independent, non-profit, non-partisan, professional society devoted to bringing the fruits of innovation rapidly to market for the benefit of the global community.[1]

Founded over 50 years ago, LES is a diverse community of over 3,000 business executives, lawyers, and consultants engaged in the orderly transfer of intellectual property rights in all industries. LES is engaged in education, identification of best practices in IP transactions, IP protection, and IP strategy. LES counts among its members experts in the IP strategy, business management, accounting, business development, supplier management, program management, sales, marketing, and IP valuation fields. Among these are representatives of innovation oriented companies from all business sectors, government agencies, and university laboratories. LES is a founding member society of a worldwide network, the Licensing Executive Society International, Inc. ("LESI") of more than 10,000 IP management practitioners in 32 regional societies in 90 countries.

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[1] Pursuant to Supreme Court Rule 37.6, no counsel for a party authored this brief in whole or in any part or made a monetary contribution intended to fund preparation or submission of the brief, and no person other than the *amicus curiae*, its members, or its counsel, made such a monetary contribution. The parties consent to the filing of this brief.

II. SUMMARY OF ARGUMENT

The parties have sufficiently addressed the legal issues surrounding the claim construction standard to be used in the post-grant proceedings created by the America Invents Act (the "AIA"), known as Inter Partes Review ("IPR"), Post-Grant Review ("PGR"), and Covered Business Method Review ("CBM"). As a professional society dedicated to promotion of best practices in IP transactions, IP protection, and IP strategy, LES might be particularly well-suited to assist the Court with evaluation of the practical impact of its decision in this case.

LES is concerned that IPR, PGR, and CBM reviews of patents using the broadest reasonable construction standard ("BRI") diminish the value of patents. They diminish the value of all patents, as the procedures are available to be used against all patents. The essential need is to recognize that the AIA, though well intentioned, has proven catastrophic for innovators and entrepreneurs. *See* Testimony of Brian P. O'Shaughnessy, Chairman-Elect, LES, Before the Senate Committee on Small Business & Entrepreneurship, "An Examination of Changes to the U.S. Patent System and Impacts on America's Small Businesses," February 25, 2016, at 8 ("O'Shaughnessy"), available at www.sbc.senate.gov.[2] The reasoning is simple – at the PTAB the

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[2] The testimony is available specifically at http://www.sbc.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=4965AFC0-A04D-4001-B6E7-A238E620049E&Statement_id=A2CE4848-42DD-484F-A9CA-8038D117C813&ContentType_id=14F995B9-DFA5-407A-9D35-

challengers have a lower burden for invalidating patents. *Id.* Patent owners including LES members and those represented by LES members have even experienced negotiations through threats of IPR filings, intended to diminish the values of the threatened patents.

Patent owners can reasonably view their patents as being threatened and tested in IPRs *not* for what they are, but for what they *are not*. Patents have the scope provided to them by virtue of their literal claims, given interpretation for ordinary meaning and usage of trade by persons of skill, in context, under cases such as *Teva Pharmaceuticals USA v. Sandoz, Inc.*, 135 S. Ct. 831 (2015), *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 741 (2002), and *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005). *Phillips* correctly followed cases such as *Festo* and eliminated claim interpretation primarily by dictionary definition – which is essentially BRI. When patents are challenged in IPRs using BRI, they are challenged for what they are not, broader than they are correctly construed under *Teva*, *Markman*, *Festo* and *Phillips*, and not construed correctly for what they are.

If IPRs were to change in ways other than BRI, for example, by change from current standards and practices for claim amendments, to broadened standards, value could be restored. But the AIA as

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implemented now has undermined confidence in the validity of patents, and calls into question the commercial value of all of them. O'Shaughnessy at 9.

III. ARGUMENT

A. Background on the value of patents, patent licensing and the AIA with broadest reasonable construction

The nation was conceived in liberty and dedicated to all being equal, but – as it happens, eleven score and seven years ago – the Constitution reconceived and rededicated the nation to more principles, including the principle of advancing knowledge of the world through rights for inventors. U.S. Const. Art. I. Sec. 8, Clause 8. The Constitution enshrined for the benefit of the American people an economic policy of rewarding inventors, and rewarding them well, if their inventions were desirable, with exclusive rights in their discoveries for all such times other than perpetual that Congress should provide for them. *Id.*; *see Eldred v. Ashcroft*, 537 U.S. 186 (2003). As in *Festo* at 730-1: "The patent laws 'promote the Progress of Science and useful Arts' by rewarding innovation with a temporary monopoly. U.S. Const., Art. I, § 8, cl. 8. The monopoly is a property right... inventors ... rely on the promise of the law to bring the invention forth ..."

Patent rights were constitutionally meant to be and are still meant to be valuable. The Founding Fathers believed that "ingenuity should receive a liberal encouragement." 5 Writings of Thomas

Jefferson 75-76 (H. Washington ed. 1871); *see* also O'Shaughnessy at 1-2. The Congress that generated the AIA also believed they needed to execute on a "constitutional imperative." *See* the statement of intent and purpose of the House Judiciary Report on H.R. 1249, H.R.Rep.No. 112-98, at 38-40 (2011) ("the AIA House Report"). Congress believed they "must promote innovation by granting inventors temporally limited monopolies on their inventions." *Id.* The strength of the patent system continues to be a significant public policy concern and is the focus of significant legislative activity. *See* STRONG Patents Act of 2015, S632, 114th Cong. (2015).

A strong patent system encourages innovation, is essential to economic success, promotes the chances of success for small, large, new and existing companies, provides jobs and economic revenue in patent-intensive industries, and allows the United States to maintain its status as the world's innovation leader. *Id.* § 101; O'Shaughnessy at 2, 4-6.

The economic benefits of inventions and patents are indisputable. Intellectual property-intensive industries support 40 million jobs and contribute $5.06 trillion dollars to the U.S. economy, over one-third of the U.S. gross domestic product. U.S. Dep't of Commerce, Intellectual Property and the U.S. Economy: Industries in Focus at vi-vii (2013). Patents convert inventions to descriptions in words called claims that make the scope of the inventions as readily discernable as possible by all involved, primarily as a matter of the construction of written instruments. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 386, 388, 389 (1996). Patents also convert inventions into time-limited rights and

teachings of those rights, such that upon patent expiration, the inventions become available to the public, and are not kept longer, such as in perpetuity, as trade secrets.

The value of patents is rooted in the scope of the rights that they confer. At their core, patents confer a right to exclude others from, *inter alia*, making, using, offering to sell, selling or importing into the United States the patented inventions as stated in the claims. *See* 35 U.S.C. § 271 (a) *et seq*. Uniformity in interpretation of patent rights has virtue and is important. *Markman* at 390. The limits of the patent are to be known without a zone of uncertainty, to the benefit of all involved. *Id.*

One obvious way that innovators and patent owners can derive value from their patents is by excluding their competitors from practicing the patented inventions, giving themselves a valuable edge in the marketplace. They can better gain investments in their businesses from the venture community, for example for startups more than 50% better. O'Shaughnessy at 2. Another important way patent owners can derive value is by licensing their patented inventions to technology implementers. Licensing patent owners may "go back to the lab ... for more research." *Id.* Licensing patent owners have included such venerated inventors as the Wright brothers, who taught us to fly, and after their patents expired, let us do it for free. *See* D. McCullough, The Wright Brothers, Simon & Schuster 2015.

Through licensing, some highly inventive companies can extract tremendous value from their patents. It is reported that Microsoft and Ericsson

generate more than $2 billion in annual licensing revenue, and Qualcomm, regarded as a leader in patent licensing, reportedly generates more than $6.6 billion in annual licensing revenue. *See* Terry Ludlow, *Trends In Technology IP Licensing*, IPO Law J., Dec. 10, 2014, at 4, available at http://www.ipo.org.

Private industry is not alone in deriving significant value from patents and patent licensing. According to the fiscal year 2014 survey by the Association of University Technology Managers ("AUTM"), there were over 5,400 new patent licenses executed by U.S. universities, hospitals and research institutions in fiscal year 2014 (an increase of 4.5% over 2013). AUTM, *Highlights of AUTM's U.S. Licensing Activity Survey*, FY2014, at 7, *available* at http://www.autm.net. The prior year's version of the AUTM survey cites to a study by the Biotechnology Industry Organization ("BIO"), which estimates the economic impact of university and nonprofit patent licensing from 1996 to 2010 was as much as $388 billion on the U.S. gross domestic product and $836 billion on the U.S. gross industrial output, while creating as many as 3 million jobs. AUTM, *Highlights of AUTM's U.S. Licensing Activity Survey*, FY2013, at 8, *available at* http://www.autm.net.

Patents are only as valuable as the exclusion rights that they confer and, as a corollary, the respect with which they are treated. Prior to creation of the Federal Circuit in 1982, there were circuit splits on various patent-law issues, with certain circuits perceived as "pro-patent" and others as "anti-patent," resulting in much forum shopping. *See* H.R.

Rep. No. 97-312, at 20-21 (1981). Forum shopping was found to increase litigation costs, decrease the ability to advise clients, and "demean[] the entire judicial process and the patent system as well." *Id.* at 21. Thus, the Federal Circuit was created to "provide nationwide uniformity in patent law," "make the rules applied in patent litigation more predictable," and "eliminate the expensive, time-consuming and unseemly forum-shopping that characterizes litigation in the field." *Id.* at 20; *see* also *Markman* at 390 ("It was just for the sake of ... desirable certainty that Congress created the Court of Appeals for the Federal Circuit.")

When patents are given little respect, they afford less value. For example, the accused infringer in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983) was advised that because there was an 80% chance the patent might be invalidated during litigation, it should refuse to even engage in licensing discussions with the patent holder. *Underwater Devices*, 717 F.2d at 1385. Only if the accused infringer was sued was it advised to negotiate a royalty—one based only on the cost of the litigation, not the value of the technology. *Id.*

Not only did the *Underwater Devices* infringer's conduct fly in the face of the presumed validity of patents, *see* 35 U.S.C. § 282 (a), but it epitomized the "flagrant disregard of presumptively valid patents without analysis" abound at a time "when widespread disregard of patent rights was undermining the national innovation incentive." *Knorr-Bremse v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004).

Thus, without an effective deterrent to the type of "flagrant disregard" found in *Underwater Devices,* patent rights are devalued. Free riders, such as the infringer in that case, can avoid even discussing a license unless and until they are sued by the patent owner.

Infringers, patent holders, and the Congress well know that patent suits remain expensive. According to the American Intellectual Property Law Association's ("AIPLA") 2015 Report of the Economic Survey, the median cost of a patent infringement suit with more than $1 million at risk ranges from $2 million to more than $5 million. Am. Intellectual Prop. Law Ass'n, *AIPLA Report of the Economic Survey,* 37 (2015).

The AIA was passed not only to execute on the constitutional imperative to grant patents, but also to provide enhanced reexamination, and provide the new IPR, PGR and CBM proceedings as desirable alternative avenues to litigation, for the challenge of the validity of patents that have issued. *See* the AIA House Report at 45-48. In describing enhancements to reexamination, the AIA House Report at 46 stated that written statements of patent owners regarding patent claim scope were made available if made in court or the USPTO. The purpose was "to determine the proper meaning of the claims." *Id.* In explaining IPRs, the AIA House Report stated that IPR petitioners were to "bear the burden of proving that a patent is invalid." *Id.* at 47. PGRs were added to extend post-grant reviews beyond patents and publications, but "still protecting the rights of inventors and patent owners against new patent challenges unbounded in time and scope." *Id.* at 48.

Nothing in the AIA or the AIA House Report indicates that Congress wanted BRI for patent claims in IPRs, PGRs, or CBMs. Congress knew that the USPTO was using BRI in reexaminations, *Id.* at 45, but also knew that a variety of USPTO reexamination practices were faulty, *Id.* at 48 ns. 33, 34. Congress also knew that the courts were enhancing patent law practices, AIA House Report at 39, and knew that a Federal Trade Commission report on patents stated that the "Federal Circuit's 2005 en banc Phillips decision ... mark[ed] a beneficial step" in patent law. *See* the AIA Report at 164 n. 1; *see* Federal Trade Commission, The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition (Mar. 2011) at 102, available at http://www.ftc.gov/os/2011/03/110307 patent report.pdf. *Phillips* addressed a notorious split at the Federal Circuit. Congress could not have been unaware that in *Phillips*, the Federal Circuit eliminated claim interpretation primarily by dictionary definition, which is essentially BRI, in litigation.

Patents, and the licensing thereof, are an important part of the United States economy. The promotion of strong patent rights is vital to the continued economic success of our nation. Patent owners deserve protection against IPRs "unbounded in ... scope." AIA House Report at 48.

But challengers to patents have quickly understood what they have in having IPRs with BRI. They "exceeded even [the USPTO's] largest expectations" in their use of IPRs. *See* Michelle Lee, Deputy Under Secretary of Commerce for IP and USPTO Deputy Director, Remarks at American

Intellectual Property Law Association (AIPLA) Mid-Winter Meeting January 30, 2014, available at http://www.uspto.gov/about-us/news-updates/remarks-american-intellectual-property-law-association-aipla-mid-winter-0. Challengers have filed 4,049 patent validity challenges as IPR petitions. *See* USPTO Patent Trial and Appeal Board Statistics 1/31-2016 at 2, http://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board-0. They have caused the start of 1,669 IPR trials. *Id.* at 7 (upper left chart, total of 557+801+311).

These challenges and trials have cost the challengers an estimated $59.8 million in governmental filing fees alone. The math is as follows: 4,049 petitions times an estimated $9,000 IPR request fee, each = $36.441 million + 1,669 petitions granted times an estimated $14,000 post-institution fee, each = $23.366 million = a total of $59.8 million. (In contrast, the highest Patent Office patent issuance fee (other than an expensive extension fee) is a request for prioritized examination of $4,000). *See* http://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule.

The associated expenses to bring the challenges are conservatively estimated as equal to ten times the governmental fees, an amount of $598 million. This is an extremely conservative $135,648. per IPR petition for lawyers' and experts' fees, all in. (Many law firms quote $250,000 as average for lawyers' fees.)

Thus, IPR-with-BRI challengers are expressing their understandings that they are getting value for their nearly three-quarters of a billion dollars – or

more, possibly much more – in monies committed to IPRs. ($59.8 million + $598 million = $657.8 million).

Gaming of the system has already occurred as well, as stock short sellers have begun to use IPR filings to gain windfalls on head-hunted company stock values. *See*, e.g., http://www.wsj.com/articles/hedge-fund-manager-kyle-bass-challenges-jazz-pharmaceuticals-patent-1428417408

Concerning Article I courts such as the Patent Trial and Appeal Board, there can be but little question that constitutionally, Article I courts – in contrast with Article III courts – may adjudicate private patent validity disputes. This Court has stated that Congress may supplant a common-law cause of action with a statutory cause of action that inheres in the Government. *Granfinanciera SA v. Nordberg*, 492 U.S. 33, 53 (1989) (quoting *Atlas Roofing v. Occupational Safety and Health Review Comm'n.*, 430 U.S. 442, 458 (1977). Acting for a valid legislative purpose pursuant to its constitutional powers under Article I, Congress may create a private right that is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution with limited involvement by the Article III judiciary. *Id.* A right to file for and pursue an IPR, PGR or CBM is a private and statutory right and cause of action. Reasonably interpreted, the action of Congress in creating these rights was for the valid legislative purpose of promoting progress in science and the useful arts by assuring that correct and only correct inventors gain patents and that all persons involved in patent challenges including inventors, patent owners, and other interested people have an efficient forum for

resolution of the challenges. The IPR, PGR, and CBM rights are closely integrated into the larger patent scheme and the matters of comparison of patent claims to prior art for novelty and obviousness are central to the training, understanding, and work experiences of Patent Office personnel.

There also can be but little doubt that final Patent Office decisions in IPR, PGR and CBM proceedings may bind patent owners and challengers. *See B&B Hardware v. Hargis Industries*, 575 U.S. _, 135 S.Ct. 1293, 1303-04 (2015). They bind in later proceedings on issues that are identical. *Id.* at 1306. See also 35 U.S.C. § 315(e) (estoppel of challengers).

Further, IPR, PGR and CBM proceedings currently exist with the Federal Circuit affirming several Patent Office and PTAB practices that confine or erode patent owner rights in these proceedings. As an example, the Federal Circuit reviews IPR, PGR and CBM fact finding only for substantial evidence, "more than a mere scintilla, ... such relevant evidence as a reasonable mind might accept as adequate." *E.g., Nike, Inc. v. Adidas AG*, 2014—1719 (Fed. Cir. Feb. 11, 2016). The Federal Circuit affirms that the Patent Office may put the burden on patent owners to prove that potential substitute claims offered in IPR, PGR and CBM proceedings are patentable. *E.g., Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1306-08 (Fed. Cir. 2015). The Federal Circuit affirms that the burden extends to proof in relation to the prior art known to the patent owner as well as the prior art relied on by the patent challenger. *Nike* at 39-40. The "prior art known" is defined as the prior art the patent owner

makes known in the proceeding. *Id.* The Federal Circuit affirms that the Patent Office may confine the patent owner to one substitute claim for each challenged claim, and require proof that more claims are patentably distinct from each other. *E.g., Nike* at 22-24.

And while not yet affirmed by the Federal Circuit, there are other PTAB practices in use that confine the rights of patent owners. The PTAB refuses to apply assignor estoppel, for example, allowing those who would otherwise be prevented from patent challenges in the courts to challenge patents in the PTAB. *See Synopsys, Inc. v. Mentor Graphics Corp.*, IPR2012-00042, Paper 60 at 16-17; *Redline Detection, LLC v. Star Envirotech, Inc.*, IPR2013-00106, Paper 40; *Athena Automation Ltd. v. Husky Injection Molding Sys. Ltd.*, IPR2013-00290, Paper 18 at 12-13; *Palo Alto Networks, Inc. v. Juniper Networks, Inc.*, IPR2013-00369, Paper 16 at 11-14.

It is with this background that LES submits the following analysis of the possible practical outcomes of the Court's decision on the first issue to be addressed by the Court.

B. Patent owners are losing their patents in IPRs where patent claims properly interpreted under *Phillips* have not been proven to be invalid.

The first issue in this case is whether the BRI standard of claim interpretation or construction in IPR, PGR and CBM proceedings is within Patent Office power and wisdom. If the answer results in the

Patent Office continuing to apply the BRI standard, then patent owners are losing their patent claims through cancelation by the Office where the claims have not been proven to be invalid under the *Phillips* standard applied in Article III courts. *See* 35 U.S.C. § 318(b)("[T]he Director shall issue ... a certificate canceling any claim ... determined to be unpatentable ..."). Patent owners are losing their patent rights to cancelations that have not actually tested their patent rights, because their rights are such rights as exist for them in a *Phillips* interpretation system.

A poster child for this truth is *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, 2015-1361 (Fed. Cir. Feb. 22, 2016). There, the Federal Circuit reviewed a PTAB conclusion that all the claims at issue of three patents were invalid under broadest reasonable construction of the term "continuity member." The Federal Circuit expressly stated that there was a significant difference between broadest reasonable construction and *Phillips* construction. The court expressly stated the difference was outcome determinative:

> This case hinges on the claim construction standard applied – a scenario likely to arise with frequency. And in this case, the claim construction standard is outcome determinative.
>
> ... claim construction in IPRs is not governed by *Phillips*. Under *Cuozzo*, claims are given their broadest reasonable interpretation ... not ... the correct construction under ... *Phillips* ...

On the basis of the IPR interpretation of the claims – claims that would have survived under *Phillips* – the court affirmed PTAB cancellation of claims. *Id.* at 19-20.

A reasonable view of patent owners in this system of canceling patent claims they have without the testing of them as they own them under *Phillips* is that they are being deprived of their patent property rights in a system that does not even acknowledge the truth of what their rights are. It is a system of artificial interpretation of their rights, misconstruction of their rights, a weakening of their rights. LES sees the system as undermining patents.

An equivalent in real estate would be an administrative system that allowed challenges to the titles of land owners and invalidated their titles if their deeds covered the property they claimed but also extended to bits of property owned by surrounding landowners. In that system, first the deeds would be interpreted as broadly as reasonably possible, and then the deeds would be analyzed for their land coverage as interpreted. Instead of interpreting the deeds as land owners understood and asserted them to exist, and as the deeds would be interpreted in courts, the deeds would effectively be interpreted for maximum invalidation. The land owners would have their deeds canceled, solely on the technicality that their deeds could be hyper-inflated to cover bits of property never claimed to be owned. A taking would occur, a taking from the land owners of the land they never claimed to own but also all of the land they actually owned, no matter how intense their past investments in their lands.

This system could be understood to make no sense to land owners and make no sense to patent owners. It would hardly appear to be the system of reward achieving the economic policy the Constitution enshrined. Land and patent owners could both be expected to disrespect the government that employed such a system. They could be expected to raise an outcry, seek change, and potentially leave the jurisdiction of the government and start new property holdings outside its reach. Some could also be expected, leaving or not, to act out of ill will in take-down challenges to the deeds of all those who cost them their properties, in revenge. A patent review system should not be like this.

As explained in the background above, challengers to patents know what they have, in having IPRs with BRI, in filing 4,409 IPR petitions provoking 1,669 IPR trials and costing the challengers an estimated amount soon to be three-quarters of a billion dollars. They and the gamers of the system both know what they have – what they should not have.

The Patent Office and the Federal Circuit defend this situation on the assertion that Congress wanted this situation and the Patent Office is free to bring this situation into existence by regulation. But in defending, they seem to have missed some points.

IPRs are supposed to review "the patent." 35 U.S.C. § 311. A review of "the patent" interpreted under *Teva, Festo, Markman, Phillips* and the like is a review of "the patent." A review under BRI is not a review of "the patent." It is a review of an artificial construct – a you-can't-win-Mr.-patent-owner construct – that is effectively "the BRI construct of

the patent." Congress expressed that it wanted a review of "the patent" when it expressed that it was (a) passing the AIA to execute on a constitutional imperative to provide for the grant of patents, (b) enhancing reexamination for a purpose of providing papers that would better allow a determination of the proper scope of claims, (c) providing that challengers carry the burden of proving that "a patent" is invalid, and (d) "still protecting the rights of inventors and patent owners against new patent challenges unbounded in ... scope." See the Background above.

The review is also supposed to be "only on a ground that could be raised under section 102 or 103." 35 U.S.C. § 312. With the elimination of *inter partes* reexamination by the AIA, there is no other forum than court for a ground "that could be raised."A review of a "BRI construct of the patent" is hardly a review of "the patent" "on a ground [relative to the actual patent] that could be raised [against the actual patent] under section 102 or 103." A ground that could be raised under §§ 102 and 103 in court is a ground that necessarily starts with a correct claim interpretation, under the cases including *Phillips*.

Constitutionally, private disputes over patents as to their validities seemingly may occur in Article I courts, where a statutory cause of action – *e.g.*, IPR – has supplanted a common law cause of action. But that does not mean that a statutory cause of action that is critically different than the common law cause of action – as is IPR – is proper. It also does not mean that a nation conceived and dedicated by its Constitution to principles of liberty, equality, and advancing the knowledge of the world through rights

for inventors, for the benefit of the people, must suffer a system of gunning down the rights of inventors, where the rights were potentially just gained, or may have previously been respected long into the past, through constructing artificial realities of what the rights might have been, but aren't, and then testing the artificialities.

Changes of IPR, PGR and CBM practices other than change from BRI could restore value to patents. Opportunities for claim amendments could be loosened from being illusory. If they were, then giving new limitations that patent owners introduce into potentially amended claims a BRI construction might make some sense, as the limitations might typically be getting introduced for the first time. Giving claims being amended a BRI construction in total might also make some sense, since they are being amended. But in all likelihood, limitations being added to claims would already be in other claims, and be introduced into amended claims to secure against cancelation. To the same likelihood, existing limitations in claims being amended would surely exist in unamended claims. As a result, even limited use of BRI would create confusion. And regardless, the AIA as implemented now does not an opportunity of amendment that should weigh in the balance for BRI.

IV. CONCLUSION

LES is concerned that IPR, PGR, and CBM reviews of patents using BRI diminish the value of patents. They diminish the value of all patents, as the procedures are available to be used against all

patents. The essential need is to recognize that the AIA, well intentioned, has proven catastrophic for innovators and entrepreneurs. The reasoning is simple – at the PTAB the challengers have a lower burden for invalidating patents.

Patent owners can reasonably view their patents as being tested not for what they are, but for what they are not. Patents have the correct scope provided to them in courts and especially under *Phillips*, not BRI. When patents are challenged in IPRs using BRI, they are challenged for what they are not, broader than they are under *Phillips*, and not what they are.

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IN THE

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CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF MICROSOFT CORPORATION AND PROFESSORS VINCENT CHIAPPETTA AND LEE A. HOLLAAR AS *AMICI CURIAE* IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

	Page
TABLE OF CONTENTS.	i
TABLE OF CITED AUTHORITIES	iv
INTEREST OF *AMICI CURIAE*	.1
INTRODUCTION AND SUMMARY OF ARGUMENT	.2
ARGUMENT.	.3
I. THE COURT SHOULD RETIRE THE "PLAIN AND ORDINARY MEANING" BANNER IN CLAIM CONSTRUCTION.	.3
A. One "Plain And Ordinary Meaning" Branch Gives Little Or No Regard To The Specification	.3
B. A Conflicting Branch Emphasizes The Context Of The Specification.	7
C. These Conflicting "Plain And Ordinary Meaning" Approaches Cause Inconsistency	.9
D. Disregarding Claim Amendments, Unless They Are Unambiguous, Promotes Gamesmanship.	.10

Table of Contents

Page

II. A CLAIM'S SCOPE IS LIMITED BY THE CONTEXTUAL MEANING OF ITS WORDS, THE PATENT'S INVENTION, AND THE CLAIM'S AMENDMENTS. .12

A. The Claim Language Must Be Read In Context. .12

B. The Claim's Scope Presumptively Is Limited To The Invention Disclosed In The Patent. .13

C. Claim Amendments Are Strictly Construed Against The Patent Owner . .16

III. THESE PRINCIPLES APPLY WHEREVER AN ISSUED PATENT CLAIM IS INTERPRETED .17

A. The Patent Statute Requires That Claims Be Construed Consistently. .17

B. *Markman* Supports Consistent Constructions Of A Patent Claim .19

C. Neither The Presumption Of Validity Nor The Option To Amend Justifies Inconsistent Constructions Of A Patent Claim. .20

Table of Contents

Page

D. This Case Does Not Address Unissued Patent Claims .21

CONCLUSION .22

TABLE OF CITED AUTHORITIES

	Page
Cases	
Akamai Tech., Inc. v. Limelight Networks, Inc., 805 F.3d 1368 (Fed. Cir. 2015)	.6
Ancora Tech., Inc. v. Apple, Inc., 744 F.3d 732 (Fed. Cir. 2014).	.4
Aventis Pharma S.A. v. Hospira, Inc., 675 F.3d 1324 (Fed. Cir. 2012)	.6
Avid Tech., Inc. v. Harmonic, Inc., 2016 WL 363410 (Fed. Cir. Jan. 29, 2016)	.10
Case No. T 1857/08 (European Patent Office Board of Appeals May 17, 2011).	.16
Cioffi v. Google, Inc., 2015 WL 7254039 (Fed. Cir. Nov. 17, 2015).	.5
Creative Integrated Sys., Inc. v. Nintendo of Am., Inc., 526 Fed. App'x 927 (Fed. Cir. 2013)	.5
Exhibit Supply Co. v. Ace Patents Corp., 315 U.S. 126 (1942).	.16
Gemalto S.A. v. HTC Corp., 754 F.3d 1364 (Fed. Cir. 2014).	.7

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	Page
Graham v. John Deere Co. of Kansas City, 383 U.S. 1 (1966).	.13, 15
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In re Cuozzo Speed Tech., LLC, 793 F.3d 1268 (Fed. Cir. 2015)	.19, 21
Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996)	.13, 19
Markman v. Westview Instruments, Inc., 52 F.3d 967 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370 (1996)	.19
Mastrobuono v. Shearson Lehman Hutton, Inc., 514 U.S. 52 (1995)	.12
Morton Salt Co. v. GS Suppiger Co., 314 U.S. 488 (1942)	.15
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Nat'l Ass'n of Home Builders v. Defenders of Wildlife, 551 U.S. 644 (2007).	.13

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	Page
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Power Integrations, Inc. v. Fairchild Semiconductor Int'l., Inc., 711 F.3d 1348 (Fed. Cir. 2013).	.4
PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC, 2016 WL 692368 (Fed. Cir. Feb. 22, 2016)	.2
Retractable Tech's., Inc. v. Becton, Dickinson and Co., 653 F.3d 1296 (Fed. Cir. 2011)	.8, 14
Retractable Tech's., Inc. v. Becton, Dickinson and Co., 659 F.3d 1369 (Fed. Cir. 2011).	.9
Sealant Sys. Int'l., Inc. v. TEK Global, S.R.L., 616 Fed. App'x 987 (Fed. Cir. 2015)	7
Thorner v. Sony Computer Ent. Am. LLC, 669 F.3d 1362 (Fed. Cir. 2012)	.6
Towne v. Eisner, 245 U.S. 418 (1918)	.12

Page

Trustees of Columbia Univ. v. Symantec Corp., 2016 WL 386068 (Fed. Cir. Feb. 2, 2016) 7

VirnetX, Inc. v. Cisco Sys., Inc., 767 F.3d 1308 (Fed. Cir. 2014). .5

Constitutional Provisions

U.S. Const., Art. I, § 8, cl. 8 .15

Statutes

35 U.S.C. § 100. .18

35 U.S.C. § 102. .18

35 U.S.C. § 103. .18

35 U.S.C. § 112. 14, 18, 19

35 U.S.C. § 251 .20

35 U.S.C. § 254. .20

35 U.S.C. § 255. .20

35 U.S.C. § 261 17

35 U.S.C. § 282. .14, 20

35 U.S.C. § 311 .18

Cited Authorities

	Page
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35 U.S.C. § 318.	.18
Rules	
Sup. Ct. R. 37.3	.1
Sup. Ct. R. 37.6	.1
37 C.F.R. § 1.75.	.14
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INTEREST OF AMICI CURIAE[1]

Microsoft Corporation is a leader in the technology industry and an active and longstanding player in all aspects of the patent system. Since its founding in 1975, Microsoft has developed and marketed a wide range of software, services, and hardware products, including the flagship Windows® operating system, the Office® suite of productivity applications, the Surface tablet computer, and the Xbox® gaming system.

Vincent Chiappetta is a Professor of Law at the Willamette University College of Law, where he has written on and taught patent and intellectual property law since 1997. He previously served as in-house counsel for several technology companies, as well as spending nearly ten years in private practice. He received his law degree from the University of Michigan, his BS degree in electrical engineering from MIT and has been a Registered Patent Attorney since 1984.

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1. Pursuant to Supreme Court Rule 37.6, counsel for *amici* represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than *amici*, or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Supreme Court Rule 37.3, Petitioner has filed with the Clerk of the Court a letter granting blanket consent to the filing of *amicus* briefs. Accompanying this brief is a letter from Respondent dated March 1, 2016 providing written consent to the filing of this brief.

INTRODUCTION AND SUMMARY OF ARGUMENT

Nothing is more significant to adjudication of a patent than determining the scope of its claims. This is the first step in most determinations of patent infringement and patentability. Its importance has led this Court in the last twenty years to address two jurisprudential aspects of patent claim construction: (1) whether the judge or jury construes a patent claim, and (2) the standard of appellate review of a judge's claim construction. But, what this Court has not squarely addressed, recently, is *how* to construe a patent claim. This case invites the Court to address this question.

Today, different judges apply different methodologies to patent claim construction. Under the "plain and ordinary meaning" label recited in the first Question Presented, different Federal Circuit judges apply starkly different claim-construction methodologies. Judges of the Patent Trial and Appeal Board ("PTAB") apply "broadest reasonable interpretation," also recited in the first Question Presented. Under this standard defended by the Solicitor General, the Federal Circuit has approved the PTAB's interpretation of a patent claim despite acknowledging that it was *not* the "correct construction" that would apply in court. *PPC Broadband, Inc. v. Corning Optical Comm'ns RF, LLC*, No. 2015-1361, 2016 WL 692368, *3 (Fed. Cir. Feb. 22, 2016). But, neither the PTAB nor the Federal Circuit has provided clear guidance on how "broadest reasonable interpretation" differs from either of the two (conflicting) branches of "plain and ordinary meaning" prevailing in court.

This brief describes the two conflicting branches of "plain and ordinary meaning" at the Federal Circuit, identifies three claim-construction principles this Court has approved, and argues that all judges should consistently follow those same principles, whether in court or in the PTAB.

ARGUMENT

I. THE COURT SHOULD RETIRE THE "PLAIN AND ORDINARY MEANING" BANNER IN CLAIM CONSTRUCTION.

The first Question Presented refers to the term "plain and ordinary meaning" which is the prevailing label for in-court patent claim construction. The Court should retire this label for two reasons. First, "plain and ordinary meaning" promotes inconsistency by harboring two starkly different branches in a persistent divide at the Federal Circuit over how to construe a patent claim. Second, one of these two branches exalts the acontextual meaning of patent claim language over the context found in the patent's specification and prosecution history, contrary to this Court's precedents.

A. One "Plain And Ordinary Meaning" Branch Gives Little Or No Regard To The Specification.

One branch—followed by many if not most Federal Circuit judges—reads "plain and ordinary meaning" *literally*. It elevates the acontextual dictionary meaning of the words in the claim above all else with little or no regard to the context provided by the specification, or the invention disclosed in the specification. This branch

indisputably begins on solid ground: the patent claim's undoubted role as a limitation on the scope of a patent's reach. But then it strays by treating the words of the claim as the only legitimate source of meaning in defining the claimed invention and virtually the *only* limitation on the patent's scope. In the most extreme reaches of this branch, several Federal Circuit panels have said that there is no need to even look at the specification if the language of the claim is plain on its face. For example:

> In construing a claim term, we look to the words of the claim itself. If the claim term has a plain and ordinary meaning, our inquiry ends. If, however, the claim term does not have an ordinary meaning, and its meaning is not clear from a plain reading of the claim, "we turn to the remaining intrinsic evidence, including the written description, to aid in our construction of that term."

Power Integrations, Inc. v. Fairchild Semiconductor Int'l., Inc., 711 F.3d 1348, 1361 (Fed. Cir. 2013) (citations omitted).

> the terms at issue have so clear an ordinary meaning that a skilled artisan would not be looking for clarification in the specification.

Ancora Tech., Inc. v. Apple, Inc., 744 F.3d 732, 738 (Fed. Cir. 2014).

> if there is a well-understood meaning for a term in the art, we do not allow a few inconsistent references in the specification to change

> this meaning "[because] a skilled artisan would not be looking for clarification in the specification."

Cioffi v. Google, Inc., No. 2015-1194, 2015 WL 7254039, at *10 (Fed. Cir. Nov. 17, 2015) (non-precedential).

> The district court could have ended its analysis with the plain language [of the claims].

Creative Integrated Sys., Inc. v. Nintendo of Am., Inc., 526 Fed. App'x 927, 933 (Fed. Cir. 2013) (non-precedential).

> there is no dispute that the word "secure" does not have a plain and ordinary meaning in this context, and so must be defined by reference to the specification.

VirnetX, Inc. v. Cisco Sys., Inc., 767 F.3d 1308, 1317 (Fed. Cir. 2014).

When this acontextual branch does consult the specification, it does so reluctantly, demanding a "clear and unmistakable" redefinition or disavowal of the acontextual plain meaning:

> a claim term is only given a special definition different from the term's plain and ordinary meaning if the "patentee clearly set[s] forth a definition of the disputed claim term other than its plain and ordinary meaning." A patentee can also disavow claim scope, but the standard "is similarly exacting."

Akamai Tech., Inc. v. Limelight Networks, Inc., 805 F.3d 1368, 1375 (Fed. Cir. 2015) (citation omitted).

> We depart from the plain and ordinary meaning of claim terms based on the specification in only two instances: lexicography and disavowal. The standards for finding lexicography and disavowal are exacting.

Hill-Rom Serv., Inc. v. Stryker Corp., 755 F.3d 1367, 1371 (Fed. Cir. 2014).

> This court recently reiterated the stringent standard for narrowing a claim term beyond its plain and ordinary meaning.

Aventis Pharma S.A. v. Hospira, Inc., 675 F.3d 1324, 1330 (Fed. Cir. 2012).

> To constitute disclaimer, there must be a clear and unmistakable disclaimer.

Thorner v. Sony Computer Ent. Am. LLC, 669 F.3d 1362, 1366-67 (Fed. Cir. 2012).

This acontextual approach persists despite its apparent rejection by the *en banc* Federal Circuit in 2005: "the 'ordinary meaning' of a claim term is its meaning to the ordinary artisan after reading the entire patent." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1321 (Fed. Cir. 2005) (*en banc*). This persistence is a testament to the power of "plain and ordinary meaning"· the very label pulls judges away from a patent's context despite the *en banc* court's clear statement that the label does *not* dispense with context.

B. A Conflicting Branch Emphasizes The Context Of The Specification.

A different prominent view at the Federal Circuit resists the pull of this literal understanding of "plain and ordinary meaning." Without rejecting the "plain and ordinary meaning" banner *per se*, this second branch begins with the skilled artisan's *contextual* understanding of the claim, refusing to give the acontextual meaning a presumption of correctness. And, unlike the first branch, it interprets the claimed invention in light of the disclosed invention:

> The only meaning that matters in claim construction is the meaning in the context of the patent.

Trustees of Columbia Univ. v. Symantec Corp., No. 2015-1146, 2016 WL 386068, at *3 (Fed. Cir. Feb. 2, 2016).

> [With the trial court's broader construction] the patent would claim more than the patentee actually invented.

Sealant Sys. Int'l., Inc. v. TEK Global, S.R.L., 616 Fed. App'x 987, 993 (Fed. Cir. 2015) (non-precedential).

> Of course, "the claims cannot be of broader scope than the invention that is set forth in the specification."

Gemalto S.A. v. HTC Corp., 754 F.3d 1364, 1369 (Fed. Cir. 2014) (citation omitted).

> An inventor is entitled to claim in a patent what he has invented, but no more. He can, however, claim less, to avoid prior art or for any other reason. Therefore, in construing a claim there are two limiting factors—what was invented, and what exactly was claimed. To determine the former—what was invented—we look at the entire patent, with particular attention to the specification (the written description of the invention and the several claims made). To determine the latter—what exactly was claimed—the focus is on the precise words of the particular claim or claims at issue; the written description and preferred embodiments are aids in understanding those words. In the case before us, proper claim construction requires that we understand what the invention encompasses as well as how the claims are stated.

MySpace, Inc. v. Graphon Corp., 672 F.3d 1250, 1256 (Fed. Cir. 2012).

> In reviewing the intrinsic record to construe the claims, we strive to capture the scope of the actual invention, rather than strictly limit the scope of claims to disclosed embodiments or allow the claim language to become divorced from what the specification conveys is the invention.

Retractable Tech's., Inc. v. Becton, Dickinson and Co., 653 F.3d 1296, 1305 (Fed. Cir. 2011).

The first, acontextual, branch rejects this second, contextual approach:

> It is not for the court to tailor the claim language to the invention disclosed.

Retractable Tech's., Inc. v. Becton, Dickinson and Co., 659 F.3d 1369, 1371 (Fed. Cir. 2011) (Moore, J. (joined by Rader, J.) dissenting from denial of rehearing *en banc*).

C. These Conflicting "Plain And Ordinary Meaning" Approaches Cause Inconsistency.

Unsurprisingly, these starkly contrary approaches have contributed to a notorious lack of uniformity and predictability in patent claim constructions, and wasteful claim-construction disputes. *See e.g.*, Tun-Jen Chiang & Lawrence B. Solum, *The Interpretation-Construction Distinction in Patent Law*, 123 YALE L.J. 530, 534 (2013) ("The uncertainty in how courts will apply claims most typically arises because judges have core policy disagreements about the underlying goals of claim construction."); Christian E. Mammen, *Patent Claim Construction as a Form of Legal Interpretation*, 12 J. MARSHALL REV. INTELL. PROP. L. 40, 49 (2012) ("Claim construction rulings are seen as relatively volatile, unpredictable, and subject to second-guessing on appeal."); R. Polk Wagner & Lee Petherbridge, *Did Phillips Change Anything? Empirical Analysis of the Federal Circuit's Claim Construction Jurisprudence*, in INTELLECTUAL PROPERTY AND THE COMMON LAW 123, 128 (Shyamkrishna Balganesh ed., 2012) (concluding that the Federal Circuit has failed to resolve its longstanding divide on claim construction, resulting

in significant variability, uncertainty, and lack of predictability).

D. Disregarding Claim Amendments, Unless They Are Unambiguous, Promotes Gamesmanship.

As noted, the acontextual "plain and ordinary meaning" branch demands a "clear and unmistakable" disclaimer before abandoning the acontextual plain meaning of claim language. This rule is applied to the prosecution history as well as to the specification. In particular, a patent applicant's actions and statements in the Patent Office to overcome the prior art are essentially disregarded, unless they constitute an *unambiguous* disclaimer:

> When the prosecution history is used solely to support a conclusion of patentee disclaimer, the standard for justifying the conclusion is a high one. "[F]or prosecution disclaimer to attach, our precedent requires that the alleged disavowing actions or statements made during prosecution be both clear and unmistakable." Where the alleged disavowal is ambiguous, or even "amenable to multiple reasonable interpretations," we have declined to find prosecution disclaimer.

Avid Tech., Inc. v. Harmonic, Inc., No. 2015-1246, 2016 WL 363410, at *4 (Fed. Cir. Jan. 29, 2016) (citation omitted).

This "high" standard for allowing a patent claim's prosecution history to restrict the acontextual "plain and ordinary meaning" of the claim language, invites

gamesmanship. It invites patent drafters to *imply* to Patent Office examiners a narrow scope of claim coverage—to avoid the prior art—while avoiding an *unambiguous* disclaimer of the acontextual "plain and ordinary meaning" which the patent owner might later wish to assert for infringement purposes. In effect, "plain and ordinary meaning" invites patent applicants to avoid clarifying claim meaning and to inject ambiguity into the patent's intrinsic record.

And patent owners are not alone in such strategic behavior. Patent challengers likewise seek advantage from the current state of patent claim-construction law. Often they assert a broad interpretation of the patent claim when challenging it for unpatentability in the Patent Office while preserving the right to argue for a narrower interpretation of the same claim to avoid infringement in court.

In sum, the "plain and ordinary meaning" label that Petitioner urges be extended to the PTAB describes two contradictory methodologies—merely papering over a persistent and unresolved disagreement that divides the Federal Circuit—and fails to provide clarity or useful guidance to trial courts. Worse yet, the overly-literal understanding of the phrase advocated by some has led to overbroad, inconsistent constructions, and frequent gamesmanship. In this respect, the "plain and ordinary meaning" label is reminiscent of the "insolubly ambiguous" label retired in *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014). In each case, the label *per se* did not uniformly foreclose a correct application of the law, but the very words beg for and too often lead to an incorrect application. *Id.* at 2130. The Court therefore should retire

this label and provide the uniform claim-construction guidance that judges need.

II. A CLAIM'S SCOPE IS LIMITED BY THE CONTEXTUAL MEANING OF ITS WORDS, THE PATENT'S INVENTION, AND THE CLAIM'S AMENDMENTS.

In place of "plain and ordinary meaning," the Court should endorse the claim-construction principles found in its precedents. First, the scope of a patent claim is limited by the claim language as understood by a skilled artisan at the time of the alleged invention and in the context of the specification and prosecution history. Second, it is limited, presumptively, by the scope of the patent's disclosed invention. Third, narrowing amendments of a patent claim in the Patent Office are strictly construed against the patent owner.

A. The Claim Language Must Be Read In Context.

"A word is not a crystal, transparent and unchanged, it is the skin of a living thought and may vary greatly in color and content according to the circumstances and the time in which it is used." *Towne v. Eisner*, 245 U.S. 418, 425 (1918). This recognition guides interpretation of a contract: a "cardinal principle of contract construction" is "that a document should be read to give effect to all its provisions and to render them consistent with each other." *Mastrobuono v. Shearson Lehman Hutton, Inc.*, 514 U.S. 52, 63-64 (1995) (citations omitted). And a statute: "the meaning—or ambiguity—of certain words or phrases may only become evident when placed in context It is a 'fundamental canon of statutory construction that the

words of a statute must be read in their context and with a view to their place in the overall statutory scheme.'" *Nat'l Ass'n of Home Builders v. Defenders of Wildlife*, 551 U.S. 644, 666 (2007) (citation omitted).

This same principle of contextual interpretation naturally applies to patent claims. A court must apply to patent claims "the standard construction rule that a term can be defined only in a way that comports with the instrument as a whole." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 389-90 (1996). And, courts must seek that construction which "fully comports with the specification and claims and so will preserve the patent's internal coherence." *Id.* This internal coherence is determined from the perspective of the skilled artisan, sometimes provided by the testimony of experts in the field or other secondary evidence extrinsic to the patent. *Id.* at 387-88.

A patent claim's context also includes its prosecution history in the Patent Office. *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 33 (1966) ("an invention is construed not only in the light of the claims, but also with reference to the file wrapper or prosecution history in the Patent Office.")

B. The Claim's Scope Presumptively Is Limited To The Invention Disclosed In The Patent.

The second fundamental claim-construction principle is not one of general applicability. It derives instead from a core public policy of our patent system, as reflected in the Patent Act, the Constitution, and this Court's precedents.

The Patent Act mandates that an applicant claim only that which the inventor regards as the invention and discloses in the specification: "the specification shall contain a written description of the invention," 35 U.S.C. § 112(a), and "the specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention," *id.* § 112(b). Coupling this statutory mandate with the statutory presumption of validity, *id.* § 282(a), requires a correspondence between the invention disclosed in the specification and the scope of the claims. "In reviewing the intrinsic record to construe the claims, we strive to capture the scope of the actual invention, rather than strictly limit the scope of claims to disclosed embodiments or allow the claim language to become divorced from what the specification conveys is the invention." *Retractable Tech's.*, 653 F.3d at 1305.

The Patent Office directs its Examiners to require correspondence of the claimed invention to the disclosed invention: "The claim or claims must conform to the invention as set forth in the remainder of the specification and the terms and phrases used in the claims must find clear support or antecedent basis in the description so that the meaning of the terms in the claims may be ascertainable by reference to the description." 37 C.F.R. § 1.75(d)(1). This does not mean, of course, that every issued claim actually complies with this or any other patentability condition, but they do so presumptively and that presumption should guide a judge's interpretation of the claim.

This interpretation of the Patent Act—presumptively limiting the claimed invention to the disclosed invention—

is further bolstered by the Constitution's limitation on the Congressional authority to grant patents. The Constitution gives Congress a *limited* authority: "To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. Const., Art. I, § 8, cl. 8. The Court has read this as "both a grant of power and a limitation" having "restraints imposed by the stated constitutional purpose." *Graham*, 383 U.S. at 5-6. In particular, Congress may not authorize the grant of patents that exceed the inventor's invention:

> The grant to the inventor of the special privilege of a patent monopoly carries out a public policy adopted by the Constitution and laws of the United States, "to promote the Progress of Science and useful Arts, by securing for limited Times to Inventors the exclusive Right " to their "new and useful" inventions. But the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the invention.

Morton Salt Co. v. GS Suppiger Co., 314 U.S. 488, 492 (1942) (citations omitted).

This same claim-interpretation principle is followed abroad as well. The European Patent Office limits a claimed invention to the disclosed invention, treating patent claim construction as more than a merely linguistic exercise: "The interpretation of the terms of a claim must be made by the skilled person, not by a philologist. Terms in the claims must therefore be construed as they would be by the skilled person in view of the overall content of the

specification, according to the idea behind the invention, having regard to the problem and solution as derived from the patent." Case No. T 1857/08 (European Patent Office Board of Appeals May 17, 2011) (citations omitted).

C. Claim Amendments Are Strictly Construed Against The Patent Owner.

The third fundamental claim-construction principle concerns the patent's prosecution history.

A Patent Office examiner often rejects initially proposed claims as being too close to the prior art, which generally results in adoption of narrowing amendments that limit the scope of the claims to patentable subject matter, and lead to issuance of the patent. Later, however, a patent owner enforcing the patent may be tempted to downplay the significance of the narrowing amendments and assert the broader scope of protection that was sought in the initial, abandoned claims. This Court has taken a firm stance against such attempts.

A claim amendment during prosecution of a patent "operates as a disclaimer" and "must be strictly construed against [the applicant]" and in favor of the public. *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U.S. 126, 137 (1942). By substituting one phrase for another to overcome a rejection of a proposed patent claim, the patent applicant "recognize[s] and emphasize[s] the difference between the two phrases and proclaim[s] his abandonment of all that is embraced in that difference." *Id.* at 136-37.

In *Hubbell v. United States*, 179 U.S. 77 (1900), the Court affirmed a narrow claim construction and judgment

of no infringement primarily on account of the prosecution history in which the original application's claims were repeatedly narrowed to overcome rejections by the Patent Office. "'Limitations imposed by the inventor, especially such as were introduced into an application after it had been persistently rejected, must be strictly construed against the inventor and in favor of the public, and looked upon as in the nature of disclaimers.'" *Id.* at 83-84 (citation omitted).

III. THESE PRINCIPLES APPLY WHEREVER AN ISSUED PATENT CLAIM IS INTERPRETED.

PTAB judges and district court judges should apply these same claim-construction principles to issued patent claims. (*Amici* take no position on whether the PTAB has or has not followed these principles when construing issued patent claims under the "broadest reasonable interpretation" banner.)

A. The Patent Statute Requires That Claims Be Construed Consistently.

An issued patent claim must be consistently interpreted. This seemingly indisputable proposition rests on several provisions of the Patent Act.

First, a patent "shall have the attributes of personal property," 35 U.S.C. § 261, and one defining attribute of an item of personal property is a fixed boundary distinguishing it from other items of personal property. This is as true of a patent claim when it is interpreted by a PTAB judge as when it is interpreted by a district court judge. The extent of an item of personal property

does not vary depending on which tribunal is adjudicating that property.

Second, a fixed boundary also is a prerequisite to the patent claim's public notice function embedded in the statute's clarity and precision demand, 35 U.S.C. § 112(b). This too is as true of a patent claim when it is interpreted by a PTAB judge as when it is interpreted by a district court judge.

Third, that an issued patent claim must be consistently interpreted follows from the statutory language of the America Invents Act ("AIA") creating PTAB trial proceedings.

The AIA created inter partes review (IPR) proceedings for Patent Office judges to determine the "patentability of any patent claim challenged by the petitioner." 35 U.S.C. § 318(a). But it limited the patentability challenges to sections 102 (anticipation) and 103 (obviousness) of the Patent Act. *Id.* § 311(b). Sections 102 and 103 define conditions for patentability of a "claimed invention." "Claimed invention" is defined as "the subject matter defined by a claim in a patent . " *Id.* § 100(j). The Patent Act does not expressly address how to ascertain the scope of the claimed invention, with one limited exception. That exception specifies how to construe a particular type of functional element in a patent claim. *See* 35 U.S.C. § 112(f) ("such claim shall be construed to ").

These statutory provisions define universally-applicable requirements for patentability and claim interpretation that apply uniformly to court and PTAB adjudications. The sole express claim-construction

provision, 35 U.S.C. § 112(f), makes no exception for PTAB trials. Nor do sections 102 and 103, which define "patentability" conditions. Nothing in the AIA or Patent Act authorizes the PTAB to determine the patentability of something other than "the claimed invention." Instead, sections 102 and 103 provide the same single standard governing these patentability determinations in the PTAB as in court, and they require that the claimed invention, *properly construed*, be compared to the prior art. They do not countenance a "what if" exercise: would the claim be unpatentable if it were broader than it is? *See In re Cuozzo Speed Tech., LLC*, 793 F.3d 1268, 1286 (Fed. Cir. 2015) (Newman, J., dissenting) ("These legal rights must be the 'correct' rights, not some fuzzy 'broadest' measure.")

B. Markman Supports Consistent Constructions Of A Patent Claim.

This straightforward interpretation of the statute—that it demands the same claim constructions in the PTAB as in court—is reinforced by *Markman*. That a patent claim's scope must be consistently interpreted was one lesson of *Markman*, 517 U.S. at 373, and a primary reason why claim construction is entrusted to judges, not juries. The Federal Circuit in *Markman* recognized the importance of recognizing a single "true and consistent scope" of a patent claim, *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (*en banc*), *aff'd*, 517 U.S. 370 (1996), as did this Court: "we see the importance of uniformity in the treatment of a given patent as an independent reason to allocate all issues of construction to the court." *Markman*, 517 U.S. at 390. It would be strange indeed to entrust claim construction to one set of judges (Article III judges) with the goal of

achieving more clarity and uniformity than juries, but then allow hundreds of other judges (those in the Patent Office) to adjudicate patentability based on a *different* interpretive methodology.

C. Neither The Presumption Of Validity Nor The Option To Amend Justifies Inconsistent Constructions Of A Patent Claim.

The Government argues that the presumption of validity, 35 U.S.C. § 282(a) ("A patent shall be presumed valid. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity"), applies in court but not in the PTAB. But the AIA expressly places the burden of proving unpatentability under sections 102 or 103 on the challenger: "the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence." *Id.* § 316(e). And, for other unpatentability grounds, the AIA does not permit any challenge at all in an IPR proceeding.

The Government argues that the PTAB's power to authorize amendments to patent claims justifies it giving an issued patent claim a different scope than it has in court. But, a patent owner enforcing its patent in court also has an avenue for amending an issued patent claim. The patent owner can return to the Patent Office to amend its patent claims, via a certificate of correction, 35 U.S.C. §§ 254-255, or in a reissue proceeding, *id.* § 251. These long-available avenues for amending claims do not justify a court giving the issued patent claim an incorrect construction.

D. This Case Does Not Address Unissued Patent Claims.

Unissued patent claims present a different question. They do not define the "metes and bounds" of the owner's property right. Judge Newman, in her dissenting opinion, explained why unissued claims may be treated differently: "The question is not whether a 'broadest' construction protocol has a place in the examination of pending applications, where proposed claims are readily amended in the give-and-take of patent prosecution. However, after the patent has issued, announcing a property right on which the patentee and the public rely, the claims must be construed correctly." *In re Cuozzo Speed Tech., LLC*, 793 F.3d 1268, 1286 (Fed. Cir. 2015) (Newman, J., dissenting).

CONCLUSION

The Court should require that issued patent claims be interpreted in the same manner in court and in the PTAB, guided by the claim-construction principles the Court has approved, not "plain and ordinary meaning."

Respectfully submitted,

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In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,
Petitioner,

v.

MICHELLE K. LEE, Under Secretary of Commerce
for Intellectual Property and Director,
Patent and Trademark Office,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

AMICUS CURIAE BRIEF OF MYLAN PHARMACEUTICALS INC. SUPPORTING RESPONDENT

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TABLE OF CONTENTS

TABLE OF AUTHORITIES iii

STATEMENT OF INTEREST 1

INTRODUCTION AND SUMMARY OF ARGUMENT 2

ARGUMENT 7

I. CONGRESS VESTED THE PTO WITH BROAD AUTHORITY TO PROMULGATE RULES "GOVERNING" IPR, AND THAT AUTHORITY INCLUDES THE POWER TO SET THE CLAIM-CONSTRUCTION STANDARD. 8

II. THE PTO'S DECISION TO USE THE BROADEST-REASONABLE-INTERPRETATION STANDARD IS ENTITLED TO DEFERENCE. 14

A. For nearly 100 years, the PTO has applied the broadest-reasonable-interpretation standard in contexts where the patentee has a right to amend its claims. 16

B. Legislative history shows that Congress anticipated that the PTO might adopt the broadest-reasonable-interpretation standard for IPR. 19

C. That IPR has "adjudicatory" aspects does not mean that it must mirror district-court litigation. 20

III. CUOZZO'S POLICY ARGUMENTS ARE IRRELEVANT AND OVERSTATED. 23

IV CONGRESS EXPRESSLY BARRED JUDICIAL REVIEW OF THE PTO'S INSTITUTION DECISIONS. 28

CONCLUSION 33

TABLE OF AUTHORITIES

Cases

62 Cases, More or Less, Each Containing Six Jars of Jam v. United States,
340 U.S. 593 (1951) 30

Ashcroft v. Iqbal,
556 U.S. 662 (2009) 22

Barnhart v. Thomas,
540 U.S. 20 (2003) 6, 24

Brand v. Miller,
487 F.3d 862 (Fed. Cir. 2007) 21

In re Carr,
297 F 542 (D.C. Cir. 1924) 16

Chevron, U.S.A., Inc. v. Natural Res. Def. Council, Inc.,
467 U.S. 837 (1984) *passim*

City of Arlington v. F.C.C.,
133 S. Ct. 1863 (2013) *passim*

Conn. Nat'l Bank v. Germain,
503 U.S. 249 (1992) 19, 28, 29

CSX Transp., Inc. v. Ala. Dep't of Revenue,
562 U.S. 277 (2011) 11

In re Cuozzo Speed Techs., LLC,
793 F.3d 1268 (Fed. Cir 2015) *passim*

Dell Inc. v. Acceleron, LLC,
___ F.3d ___, No. 2015-1513, 2016 WL 1019075
(Fed. Cir. Mar. 15, 2016) 27

Finnigan Corp. v. Int'l Trade Comm'n,
180 F.3d 1354 (Fed. Cir. 1999) 22

Fresenius USA Inc. v. Baxter Int'l, Inc.,
21 F.3d 1330 (Fed. Cir. 2013) 25

Genentech, Inc. v. Chiron Corp.,
112 F.3d 495 (Fed. Cir. 1997) 21

Hardt v. Reliance Standard Life Ins. Co.,
560 U.S. 242 (2010) 9, 10

Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.,
530 U.S. 1 (2000) 29

Leo Pharm. Prods., Ltd. v. Rea,
726 F.3d 1346 (Fed. Cir. 2013) 16

Nat'l Cable & Telecomm. Ass'n v. Brand X Internet Servs.,
545 U.S. 967 (2005) 2, 3, 9, 14, 28

Nike, Inc. v. Adidas AG,
812 F.3d 1326 (Fed. Cir. 2016) 26

PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC,
___ F.3d ___, No. 2015-1361, 2016 WL 692368
(Fed. Cir. Feb. 22, 2016) 27

In re Prater,
415 F.2d 1393 (C.C.P.A. 1969) 18

Reiter v. Sonotone Corp.,
442 U.S. 330 (1979) 10

Rubin v. United States,
449 U.S. 424 (1981) 29

Straight Path IP Grp., Inc. v. Sipnet EU S.R.O.,
806 F.3d 1356 (Fed. Cir. 2015) 26

United States v. Mead Corp.,
533 U.S. 218 (2001) 8, 15, 23, 24

United States v. Ron Pair Enters., Inc.,
489 U.S. 235 (1989) 30

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984) 16, 18, 21

Statutes

35 U.S.C. § 2(b)(2)(A) 9

35 U.S.C. § 301(a)(2) 19

35 U.S.C. § 314(a) 6, 22

35 U.S.C. § 314(d) 7, 29, 30, 32

35 U.S.C. § 315(b) 31

35 U.S.C. § 315(e)(2) 5

35 U.S.C. § 316 10

35 U.S.C. § 316(a) 11

35 U.S.C. § 316(a)(2) 11

35 U.S.C. § 316(a)(3) 10

35 U.S.C. § 316(a)(4) *passim*

35 U.S.C. § 316(a)(5) 6, 10, 11, 22

35 U.S.C. § 316(a)(9) 10 , 11

35 U.S.C. § 316(a)(11) 6, 22

35 U.S.C. § 316(b) 5, 15, 17

35 U.S.C. § 316(d) 5

35 U.S.C. § 316(d)(1) 17, 18

35 U.S.C. § 316(e) 6, 22

35 U.S.C. § 319 7, 26, 29, 30

Rules and Regulations

37 C.F.R. § 42.100 9

37 C.F.R. § 42.200(b) 12

37 C.F.R. § 42.300(b) 12

Fed. R. Civ P 26(b)(1) 22

Other Authorities

157 Cong. Rec. 3400 (2011) 26, 32

157 Cong. Rec. 3416 (2011) 25

157 Cong. Rec. 3421 (2011) 20

157 Cong. Rec. 3428 (2011) 4, 19

157 Cong. Rec. 3433 (2011) 20

Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 FR 48680-01 21

Connor N. Raso & William N. Eskridge, Jr., *Chevron As A Canon, Not A Precedent: An Empirical Study of What Motivates Justices in Agency Deference Cases*, 110 COLUM. L. REV 1727 (2010) 11

H.R. REP. NO. 112-98, pt. 1 (2011) 15, 23

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Amicus curiae Mylan Pharmaceuticals Inc. submits this brief supporting Respondent.[1]

STATEMENT OF INTEREST

Mylan is one of the largest generic and specialty pharmaceutical manufacturers in the world. It is dedicated to providing greater public access to high-quality medicines by bringing lower-priced drugs to the market when and where they are needed. To that end, Mylan often challenges suspect patents before district courts and the Patent and Trademark Office (PTO) because invalid patents hamper the flow of commerce and keep more affordable medicines from the public.

Since Congress passed the America Invents Act (AIA), Mylan has instituted numerous *inter partes* reviews (IPR) that have employed the broadest-reasonable-interpretation standard. Mylan files this amicus brief because it believes that the PTO's decision to adopt that long-used standard advances Congress's goal of creating an expedited and cost-effective process for ferreting out bad patents. Second-guessing that decision would throw ongoing IPR proceedings into disarray (including many to which Mylan is a party), but more importantly, it could discourage would-be

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[1] In accordance with Supreme Court Rule 37.6, *amicus curiae* states that no counsel for a party authored this brief in whole or in part and that no party or counsel for a party helped fund the preparation or submission of the brief. No person other than *amicus curiae* or their counsel funded work on the brief.

On February 3, 2016, Cuozzo filed a letter consenting to the filing of *amicus* briefs. On March 16, 2016, Mylan notified the Solicitor General of its intent to file an *amicus* brief; the next day, the Solicitor General sent a letter consenting to the filing of the brief.

patent challengers from challenging overbroad, invalid patents that never should have issued in the first place. The end result is that the public may miss out on important and competitively priced medicines.

INTRODUCTION AND SUMMARY OF ARGUMENT

The cascade of policy arguments in Petitioner Cuozzo's brief (and in the briefs of its supporting *amici*) suggests that this case comes to the Court on a clean slate—that the Court must decide in the first instance which claim-construction standard should apply in IPR. That, of course, is not correct. Congress has spoken through the AIA, and the PTO has spoken through federal regulations, so this Court faces a more modest task: It must decide (1) whether the AIA vests the PTO with authority to set the claim-construction standard for IPR and (2) if so, whether the agency's choice of the broadest-reasonable-interpretation standard is a "permissible construction of the statute." *Chevron, U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 866 (1984).

Those questions fade to the background in Cuozzo's brief, and for good reason: The AIA is silent about which claim-construction standard should apply in IPR, but Congress vested the PTO with broad authority to fill the gap and "prescribe regulations establishing and governing inter partes review." 35 U.S.C. § 316(a)(4). In using the unqualified word "governing," Congress did not grant the PTO a small crumb of interpretative authority; it granted the agency wide authority over *every* aspect of IPR on which Congress has not otherwise spoken (and spoken plainly). *See Nat'l Cable & Telecomm. Ass'n v. Brand X*

Internet Servs., 545 U.S. 967, 982 (2005) ("*Chevron* established a presumption that Congress, when it left ambiguity in a statute meant for implementation by an agency, understood that the ambiguity would be resolved, first and foremost, by the agency, and desired the agency (rather than the courts) to possess whatever degree of discretion the ambiguity allows.") (internal quotation marks omitted).

Unwilling to give the word "governing" its natural meaning, Cuozzo and its supporters instead strain to import a meaning not found in the statute. They argue that Congress gave the PTO broad authority to promulgate "procedural" rules but not "substantive" ones. The statute does not draw that distinction; it exists only in the pages of Cuozzo's and its supporters' briefs. Absent a clear congressional directive to draw such a distinction, this Court should "not waste [its] time in the mental acrobatics needed to decide whether an agency's interpretation of a statutory provision" is substantive or procedural. *City of Arlington v. F.C.C.*, 133 S. Ct. 1863, 1871 (2013) (rejecting as a "mirage" the distinction between "jurisdictional" and "non-jurisdictional" agency interpretations). Unlike in other parts of § 316—where Congress drew fine distinctions between "procedures" and "standards"—Congress did not distinguish between "substance" and "procedure" in § 316(a)(4). These labels are nothing more than an "empty distraction because every new application of a broad statutory term can be reframed" as "substantive" or "procedural," depending on which label suits which party's interests. *Id.* at 1870.

The only remaining question, then, is whether the PTO's decision to employ the broadest-reasonable-

interpretation standard in IPR is a "permissible construction of the statute." *Chevron,* 467 U.S. at 866. This Court's *Chevron* jurisprudence makes clear that "permissible" does not mean "best." It means permissible. "[T]he question in every case is, simply, whether the statutory text forecloses the agency's assertion of authority, or not." *City of Arlington*, 133 S. Ct. at 1871. Here, the answer to that question is no.

To begin with, the broadest-reasonable-interpretation standard did not appear out of thin air; the PTO has employed that standard in a variety of contexts for over 100 years. Courts presume that Congress knew that history when it gave the PTO authority to fashion rules "governing" IPR. *See City of Arlington*, 133 S. Ct. at 1868 ("*Chevron* provides a stable background rule against which Congress can legislate: Statutory ambiguities will be resolved, within the bounds of reasonable interpretation, not by the courts but by the administering agency."); *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1277 (Fed. Cir. 2015) ("There is no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years."). Indeed, the AIA's legislative history suggests that Congress not only understood that the PTO might adopt the broadest-reasonable-interpretation standard for IPR but also may have *wanted* the agency to do so. *See* 157 Cong. Rec. 3428 (2011) (statement by Senator Kyl acknowledging that the "broadest reasonable construction" standard would apply in IPR).

The reason why is plain. Employing the broadest-reasonable-interpretation standard in IPR is consistent with Congress's directive that the PTO consider "the

effect of any regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete [IPR] proceedings." 35 U.S.C. § 316(b). Applied correctly, the standard will reduce questionable patent litigation by ridding the system of invalid patents that never should have issued while also providing those who hold good patents a more efficient forum for defending against invalidity claims. *See* 35 U.S.C. § 315(e)(2) (prohibiting IPR petitioners from later challenging a patent's validity in district court or the ITC). In any event, whatever one thinks about those or other policy justifications, the dispositive point is the lack of "statutory text [that] forecloses" the PTO's decision to adopt the broadest-reasonable-interpretation standard for IPR. *City of Arlington*, 133 S. Ct. at 1871.

For their part, Cuozzo and its supporters see the broadest-reasonable-interpretation standard as a repudiation of Congress's intent to make IPR "adjudicatory" in nature. From Congress's *expressed* intent to make IPR an adjudicatory proceeding, Cuozzo and its supporters divine an *unspoken* intent to make IPR mirror district-court litigation, right down to the claim-construction standard.

That argument suffers from many flaws, not the least of which is that it has no basis in the statutory text. If anything, the statute shows that Congress did not intend IPR to be district-court litigation by another name. For instance, unlike in patent litigation, a respondent in IPR can amend its patent claims at least once to propose narrower substitute claims. 35 U.S.C. § 316(d). On top of that, different pleading and

evidentiary standards apply in IPR. *See* 35 U.S.C. §§ 314(a), 316(e). Further still, discovery is much narrower in IPR. *See id.* § 316(a)(5). IPR cannot stretch on for years and years; it usually must conclude within a year after institution. *See id.* § 316(a)(11). The list of differences goes on, refuting the notion that Congress intended IPR to be a copycat surrogate for patent litigation.

Finally, Cuozzo's argument that the broadest-reasonable-interpretation standard will wreak havoc in the patent world is one best directed to Congress, not to this Court. "The proper *Chevron* inquiry is not whether the agency construction can give rise to undesirable results " *Barnhart v. Thomas*, 540 U.S. 20, 29 (2003). An agency can make a reasonable choice that ends up producing some negative consequences (*Chevron*, 467 U.S. at 843); it is up to Congress to address those consequences.

At any rate, the notion that the broadest-reasonable-interpretation standard will destroy the patent system and discourage innovation is overstated at the very least. First, in certain instances, the broadest-reasonable-interpretation standard will produce the same result as the standard that district courts apply Second, the Federal Circuit serves as a backstop against unreasonable applications of the broadest-reasonable-interpretation standard in IPR. And third, Congress or the PTO can always step in if the standard produces more mischief than good—an unlikely scenario given the standard's long history in patent proceedings.

Until then, this Court must defer to the PTO's permissible choice to adopt the broadest-reasonable-interpretation standard for IPR.

On the second question presented, the plain language of 35 U.S.C. § 314(d) mandates that a PTO decision whether to institute an *inter partes* review is "final and nonappealable." Congress could not have spoken more clearly Limiting appeals of IPR to the substance of the "final written decision" (35 U.S.C. § 319) properly focuses the Federal Circuit on the underlying patentability question and avoids unintended consequences and potential conflicts across the patent statutes.

ARGUMENT

"When a court reviews an agency's construction of the statute which it administers, it is confronted with two questions." *Chevron*, 467 U.S. at 842. "First, applying the ordinary tools of statutory construction, the court must determine 'whether Congress has directly spoken to the precise question at issue.'" *City of Arlington*, 133 S. Ct. at 1868 (quoting *Chevron*, 467 U.S. at 842–43). If Congress has, "the [C]ourt, as well as the agency, must give effect to the unambiguously expressed intent of Congress." *City of Arlington*, 133 S. Ct. at 1868 (internal quotation marks omitted). "But if the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute." *Id.* "If the agency's answer is based on a permissible construction of the statute, that is the end of the matter." *Id.*

The AIA is silent about which claim-construction standard should apply in IPR, but Congress delegated to the PTO broad authority to "prescribe regulations governing inter partes review." 35 U.S.C. § 316(a)(4). That grant of unqualified authority to the PTO to fashion rules "governing" IPR included the power to select a familiar and often-applied standard to test patentability in IPR. At the very least, the statute plainly does not "foreclose[] the agency's assertion of authority." *City of Arlington*, 133 S. Ct. at 1871.

I. CONGRESS VESTED THE PTO WITH BROAD AUTHORITY TO PROMULGATE RULES "GOVERNING" IPR, AND THAT AUTHORITY INCLUDES THE POWER TO SET THE CLAIM-CONSTRUCTION STANDARD.

An agency action is entitled to *Chevron* deference if "Congress delegated authority to the agency generally to make rules carrying the force of law, and the agency interpretation claiming deference was promulgated in the exercise of that authority." *United States v. Mead Corp.*, 533 U.S. 218, 226–27 (2001). Congress delegates the necessary authority by giving an agency "power to engage in adjudication or notice-and-comment rulemaking " *Id.* at 227; *see also id.* at 230 ("It is fair to assume generally that Congress contemplates administrative action with the effect of law when it provides for a relatively formal administrative procedure tending to foster the fairness and deliberation that should underlie a pronouncement of such force.").

The AIA instructs the PTO to "prescribe regulations establishing and governing inter partes

review." 35 U.S.C. § 316(a)(4). Exercising that statutory authority, the PTO promulgated regulations governing IPR, including one providing that "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. § 42.100. Because that regulation unquestionably is one "governing" IPR, it is entitled to *Chevron* deference. This Court should not disturb the PTO's regulation because it is a permissible construction of the statute.

Yet rather than take the word "governing" at face value or address *Chevron* head-on, Cuozzo and its *amici* manufacture a dichotomy between "substantive" and "procedural" rules. According to them, Congress gave the PTO authority to promulgate procedural rules but not substantive ones. *See, e.g.*, Pet. Br. at 35–42.

There is no trace of that distinction in the AIA. The statute vests the PTO with authority to promulgate rules "governing" IPR. It does not limit that authority to rules "governing procedures in IPR." Cuozzo's substance/procedure dichotomy finds no support in the statute's plain language.[2] *See Hardt v. Reliance*

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[2] That lower federal courts have construed the Patent Act's original delegation to the PTO to "establish regulations" that "shall govern the conduct of proceedings in the Office" (35 U.S.C. § 2(b)(2)(A)) as authorizing only "procedural" rulemaking is of no moment. The AIA is a new law with a new purpose and new, broader language. And in all events, neither this Court nor the PTO is bound by those earlier judicial interpretations. *Nat'l Cable & Telecommunications Ass'n v. Brand X Internet Servs.*, 545 U.S. 967, 982 (2005) ("A court's prior judicial construction of a statute trumps an agency construction otherwise entitled to *Chevron* deference only if the prior court decision holds that its construction

Standard Life Ins. Co., 560 U.S. 242, 251 (2010) ("We must enforce plain and unambiguous statutory language according to its terms.").

It is not as if Congress is incapable of drawing those distinctions. "Congress knows to speak in plain terms when it wishes to circumscribe, and in capacious terms when it wishes to enlarge, agency discretion." *City of Arlington*, 133 S. Ct. at 1868. In other parts of § 316, Congress drew distinctions of the sort that Cuozzo wishes Congress would have drawn in § 316(a)(4). For instance, in § 316(a)(3), Congress delegated to the PTO authority to promulgate rules "establishing procedures for the submission of supplemental information after the petition is filed." And in § 316(a)(5), Congress directed the PTO to promulgate rules "setting forth standards and procedures for discovery of relevant evidence," demonstrating that Congress knows how to distinguish procedural regulations from other types of regulations when it wants to. *See also* 35 U.S.C. § 316(a)(9) ("The Director shall prescribe regulations. setting forth standards and procedures ").

Read against those more limited delegations of authority, Congress's use of the unqualified term "governing" in § 316(a)(4) must be read to include more than just "procedural" issues (however defined). Courts presume that Congress uses language intentionally, not superfluously. *See Reiter v. Sonotone Corp.*, 442 U.S. 330, 339 (1979) ("In construing a statute we are

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follows from the unambiguous terms of the statute and thus leaves no room for agency discretion.").

obliged to give effect, if possible, to every word Congress used.").[3]

This is not the first time that a party unhappy with the results of an agency's exercise of statutory authority has tried to draw artificial lines to nullify *Chevron*. Faced with the reality that courts usually defer to an agency's interpretation of a statute committed to its trust (*see* Connor N. Raso & William N. Eskridge, Jr., *Chevron As A Canon, Not A Precedent: An Empirical Study of What Motivates Justices in Agency Deference Cases*, 110 COLUM. L. REV 1727, 1767 (2010)), parties wishing to unwind agency interpretations have taken to "sifting the entrails of vast statutory schemes" in an effort to avoid *Chevron*. *City of Arlington*, 133 S. Ct. at 1871.

But the Court decried such divination in *City of Arlington*, where the City argued that the agency had

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[3] Cuozzo also invokes the *ejusdem generis* canon, arguing that § 316(a)(4) is a "catch-all" delegation over "procedural" matters because the delegations to the PTO in other subsections of § 316(a) are "procedural." Pet. Br. 8–9. The *ejusdem generis* canon "is not relevant here." *CSX Transp., Inc. v. Ala. Dep't of Revenue*, 562 U.S. 277, 294 (2011). Congress's delegation to the PTO to prescribe rules "governing" IPR "'is *not* a general or collective term following a list of specific items to which a particular statutory command is applicable (*e.g.*, 'fishing rods, nets, hooks, bobbers, sinkers, and other equipment').'" *Id.* (internal quotation marks omitted). Instead, it is the fourth of thirteen subsections—just "one of several distinct and independent" provisions. *Id.*

At any rate, Cuozzo paints with too broad a brush in claiming that all the other subsections in § 316(a) are "procedural." Three of them give the PTO authority to set "standards" (differentiated from "procedures"). 35 U.S.C. § 316(a)(2), (5), (9).

overstepped its bounds by promulgating a regulation interpreting its own "jurisdiction." 133 S. Ct. at 1868–69. The City argued—much like Cuozzo's "procedural"/"substantive" distinction here—that Congress gave the F.C.C. authority to regulate "non-jurisdictional" matters but not "jurisdictional" ones. *Id.*

This Court rejected that "false dichotomy between 'jurisdictional' and 'non-jurisdictional' agency interpretations" because it had no basis in the statute and ran counter to the Court's longstanding application of *Chevron* deference to an agency's interpretation of "statutes designed to *curtail* the scope of agency discretion." *City of Arlington*, 133 S. Ct. at 1872. The distinction between "jurisdictional" and "non-jurisdictional" questions was a "mirage" because "[n]o matter how it is framed, the question a court faces when confronted with an agency's interpretation of a statute it administers is always, simply, *whether the agency has stayed within the bounds of its statutory authority.*" *Id.* at 1868.

Cuozzo's proposed dichotomy between "substantive" and "procedural" questions is the same mirage. There is no basis—*none*—in the AIA for Cuozzo's purported distinction.[4] It is no different from the "jurisdictional"/"non-jurisdictional" distinction rejected

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[4] The PTO has adopted the broadest-reasonable-interpretation standard in other contexts without challenge. The PTO has, for instance, adopted the same broadest-reasonable-interpretation standard—through notice and comment rulemaking—for both post-grant review proceedings and covered business-method-patent proceedings. *See* 37 C.F.R. § 42.200(b), 37 C.F.R. § 42.300(b). And yet no one has suggested that those regulations are invalid because they were "substantive" as opposed to "procedural."

in *City of Arlington*. Both are backdoor attempts to avoid *Chevron* by questioning the scope of the agency's delegated authority—which the challenger in *City of Arlington* called "jurisdiction." *Compare City of Arlington*, 133 S. Ct. at 1868 ("The question here is whether an agency's interpretation of a statutory ambiguity concerns the scope of the agency's statutory authority (that is, its jurisdiction)."). Given the close identity between Cuozzo's challenge and the challenge in *City of Arlington*, this Court's prophetic warning in *City of Arlington* sees some fulfilment in Cuozzo's positions here:

> The false dichotomy between "jurisdictional" and "nonjurisdictional" agency interpretations may be no more than a bogeyman, but it is dangerous all the same. Like the Hound of the Baskervilles, it is conjured by those with greater quarry in sight: Make no mistake—the ultimate target here is *Chevron* itself. Savvy challengers of agency action would play the "jurisdictional" card in every case. Some judges would be deceived by the specious, but scary-sounding, "jurisdictional"-"non-jurisdictional" line; others tempted by the prospect of making public policy by prescribing the meaning of ambiguous statutory commands. The effect would be to transfer any number of interpretive decisions—archetypal *Chevron* questions, about how best to construe an ambiguous term in light of competing policy interests—from the agencies that administer the statutes to federal courts.

133 S. Ct. at 1872–73.

The AIA's plain language forecloses that kind of power transfer to the courts. Through the statute, Congress broadly delegated to the PTO authority to "prescribe regulations governing inter partes review." 35 U.S.C. § 316(a)(4). That grant of interpretative authority admits of no ambiguity: Regulations "governing" IPR plainly encompass standards for assessing patent validity. But even if the AIA's delegation of authority to the PTO were ambiguous as to the scope of authority prescribed, this Court "must defer under *Chevron* to an agency's interpretation of a statutory ambiguity that concerns the scope of the agency's statutory authority (that is, its jurisdiction)." *City of Arlington*, 133 S. Ct. at 1868. This Court likewise should and must defer to the PTO's assertion of authority over the claim-construction standard to be used in IPR.

The only remaining question, then, is whether the PTO's choice of the broadest-reasonable-interpretation standard is a "permissible" construction of the statute. *See Brand X*, 545 U.S. at 982. For the many reasons set out below, the answer is yes.

II. THE PTO'S DECISION TO USE THE BROADEST-REASONABLE-INTERPRETATION STANDARD IS ENTITLED TO DEFERENCE.

Cuozzo leaves nothing on the field in an effort to persuade the Court that Congress intended for IPR to be governed by the ordinary-meaning standard that district courts apply. For more than thirty pages in its brief, Cuozzo tries to discover congressional intent about claim construction from a statute that everyone agrees says nothing about claim construction. *See In re*

Cuozzo Speed Techs., 793 F.3d at 1275 (the AIA does "not resolve the issue of whether the broadest reasonable interpretation standard is appropriate in IPRs; it is silent on that issue").

Rather than set the claim-construction standard itself, Congress delegated that authority—to "prescribe regulations governing inter partes review"—to the PTO. 35 U.S.C. § 316(a)(4). The PTO chose the broadest-reasonable-interpretation standard. This Court must defer to that choice unless it was "procedurally defective, arbitrary or capricious in substance, or manifestly contrary to the statute." *Mead Corp.*, 533 U.S. at 227

Far from being arbitrary or capricious, the PTO's choice was not only reasonable but what Congress likely intended. Through the AIA, Congress directed the PTO when developing its regulations to "consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter." 35 U.S.C. § 316(b). No claim-construction standard better serves those goals than the broadest-reasonable-interpretation standard. That standard draws on the PTO's experience employing the standard in proceedings where claim amendments are allowed while at the same time promoting Congress's goal of creating a "quick and cost effective alternative[] to litigation." H.R. REP NO. 112-98, pt. 1, at 48 (2011). Applying the *Chevron* deference that the PTO deserves, the PTO's choice of the broadest-reasonable-interpretation standard is permissible and certainly not foreclosed by the statute.

A. For nearly 100 years, the PTO has applied the broadest-reasonable-interpretation standard in contexts where the patentee has a right to amend its claims.

The PTO has applied the broadest-reasonable-interpretation standard in various contexts for nearly a century In 1924, the D.C. Circuit blessed the standard for initial patent examinations. *In re Carr*, 297 F 542 (D.C. Cir. 1924). "This rule is a reasonable one," the court said, because it "tends not only to protect the real invention, but to prevent needless litigation after the patent has issued." *Id.* at 544. Over the years, the courts of appeals have approved the standard in other contexts, including *inter partes* reexamination (the predecessor to IPR). *See Leo Pharm. Prods., Ltd. v. Rea*, 726 F.3d 1346, 1352 (Fed. Cir. 2013); *see also In re Yamamoto*, 740 F.2d 1569, 1571–72 (Fed. Cir. 1984) (*ex parte* reexaminations).

Courts have done so for good reason: As the Federal Circuit has recognized (and no one seriously disputes), "[g]iving claims their broadest reasonable construction 'serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified.'" *Yamamoto*, 740 F.2d at 1571. Otherwise, overbroad and invalid patents will continue to harm the integrity of the patent system and the economy by blocking competition and roping off the field to further innovation.

Cuozzo plays up that IPR differs in some respects from those other contexts, but again, Cuozzo misses the point: The question is not whether the PTO's choice of standard fits comfortably with past practice. It is

whether it is permissible given the delegation of authority to the agency in the AIA and, correspondingly, the purposes that lie behind that statute. The PTO could have permissibly chosen the broadest-reasonable-interpretation standard even if IPR had no analog in other patent-office proceedings. Through the AIA, Congress directed the PTO to promulgate rules that protect "the integrity of the patent system" (35 U.S.C. § 316(b)) by creating a timely and cost-effective process for ferreting out improvidently granted patents. *See In re Cuozzo Speed Techs.*, 793 F.3d at 1285 (Newman, J., dissenting) (describing goal to "facilitat[e] the removal of patents that were improvidently granted"). A broader claim-construction standard, which captures a wider swath of prior art, is the best—or, at the very least, a reasonable—method for achieving that goal. It ensures, to the greatest extent possible, that a patent is novel and non-obvious by testing it against the totality of relevant art. That, of course, is not only a permissible goal, but exactly what Congress intended.

But the Court does not have to go that far to resolve this case: The broadest-reasonable-interpretation standard has *always* applied across a spectrum of proceedings—each one different from the next—and IPR bears hallmarks of those other proceedings.

One of those hallmarks is a patentee's right to amend its patent claims in IPR. Under the framework that Congress created, patent owners who are concerned about the consequences that might flow from a broad reading of their patent claims may file a motion to amend to "propose a reasonable number of substitute claims" "[f]or each challenged claim." 35

U.S.C. § 316(d)(1). That ability to amend—carried over from reexamination proceedings—distinguishes IPR from proceedings in federal district courts. *See In re Yamamoto*, 740 F.2d at 1572 (recognizing the same distinction with respect to *ex parte* reexaminations).

Congress's decision to give IPR participants the right to amend creates problems for Cuozzo and its *amici* because courts have found that right sufficient to justify the broadest-reasonable-interpretation standard in other contexts. *In re Yamamoto*, 740 F.2d at 1572 (an applicant's "opportunity during reexamination to amend his claims justif[ies] using [the broadest-reasonable-interpretation standard] in reexamination proceedings"); *In re Prater*, 415 F.2d 1393, 1404–05 (C.C.P.A. 1969) (same for initial examinations). Cuozzo's response is to marginalize IPR amendments by complaining that the right to amend is more limited in IPR than it was in reexamination proceedings and by marshaling anecdotal evidence that motions to amend are sparingly granted. Pet. Br. 29–30. But no court has held that the right to amend—which has never existed in district court litigation—must be employed generously for that right to justify giving claims their broadest reasonable construction. Try as Cuozzo might to portray it otherwise, a patentee in an IPR proceeding has an absolute right to move to amend; a right that has never existed in district court proceedings. And succeeding on a motion to amend depends on a patent holder's willingness to trim the fat off overbroad claims. If the patent owner is unable to do so, then it should not prevail in IPR and its overbroad patent should not have issued in the first place.

B. Legislative history shows that Congress anticipated that the PTO might adopt the broadest-reasonable-interpretation standard for IPR.

It is not just that the PTO's policy choice to use the broadest-reasonable-interpretation standard in IPR is permissible; the AIA's legislative history suggests that Congress anticipated the PTO making that choice.

Although resort to legislative history is unnecessary to sustain the PTO's choice of the broadest-reasonable-interpretation standard (see *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 254 (1992) ("When the words of a statute are unambiguous, then, this first canon is also the last: 'judicial inquiry is complete.'")), the AIA's legislative history confirms that Congress thought that the PTO might choose that standard for IPR.

At a congressional hearing discussing amendments to the Act, Senator Jon Kyl assumed that the broadest-reasonable-interpretation standard would apply in IPR. Extolling the virtues of a provision allowing patent owners to submit written statements on the scope of their claims (35 U.S.C. § 301(a)(2)), Senator Kyl noted that the provision would root out inconsistent positions, such as "where a patent owner successfully advocated a claim scope in district court that is broader than the 'broadest reasonable construction' that he now urges in inter partes review." 157 Cong. Rec. 3428 (2011).

Cuozzo tries to minimize the import of Senator Kyl's remark by arguing that it is "a single ambiguous sentence by a single Senator." Pet. Br. 39. But when it came to the AIA, Senator Kyl was no casual observer: He was one of five or six lawmakers at the center of the

effort to improve patent law, he cosponsored an early amendment that was later folded into the AIA (157 Cong. Rec. 3421 (2011)), and was "instrumental in making improvements to the bill" that was eventually enacted into law. 157 Cong. Rec. 3433 (2011) (statement of Sen. Grassley thanking Sen. Kyl). And the statement is the opposite of "ambiguous." Senator Kyl obviously was talking about the very claim-construction standard now applied by the PTO (and challenged by Cuozzo). To Senator Kyl, it was a given that the standard would apply in IPR.

Those faint objections do not obscure that Cuozzo can point to no statement in the legislative record—by Senator Kyl or anyone else—so much as hinting that the AIA's drafters believed that any other standard would apply. Instead, Cuozzo highlights the drafters' statements that the "shift from an examinational to an adjudicative model" was expected to "expedite" the process. Pet. Br. 32; *id.* at 39 (citing Senator Kyl's statement that IPR is an "adjudicative proceeding"). Those statements, of course, say nothing about the claim-construction standard that the drafters had in mind. The only relevant legislative history supports the PTO's regulation.

C. That IPR has "adjudicatory" aspects does not mean that it must mirror district-court litigation.

With no good answer for *Chevron*, Cuozzo and its *amici* try to sidestep the deference model altogether by waving around the label "adjudicatory." They claim that because IPR serves an "adjudicatory" function, it must employ the same claim-construction standard that district courts use. Pet. Br. 26–35. That is a non-

sequitur. That IPR has some "adjudicative" aspects does not mean that it must mirror district-court litigation. The PTO has long applied the broadest-reasonable-interpretation standard in interference proceedings—which are adjudicatory in nature (*see Cuozzo*, 793 F.3d at 1278 (citing *Brand v. Miller*, 487 F.3d 862, 867–68 (Fed. Cir. 2007) and *Genentech, Inc. v. Chiron Corp.*, 112 F.3d 495, 500 (Fed. Cir. 1997))—so "adjudicatory" is not code for "the same as district court."

Cuozzo's efforts to remake IPR in the district court's image also cannot be squared with congressional intent. Congress enacted the AIA in part to address the inefficiencies and skyrocketing costs in patent litigation. *See* Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 FR 48680-01 ("The purpose of the AIA is to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs."). Congress did not want IPR to look exactly like the system that produced those inefficiencies and costs.

That much is evident in the AIA. Instead of showing that Congress meant IPR to be district-court litigation in another skin, the statute shows that IPR differs from patent litigation in significant ways.

Perhaps most importantly, a patentee has the right to amend its claims in IPR proceedings, unlike in litigation. *See Yamamoto*, 740 F.2d at 1572 (distinguishing *ex parte* reexaminations from proceedings in federal district courts based on the same right to amend).

The standard of proof also differs in IPR: Whereas in federal court "[t]he burden is on the party asserting invalidity to prove it with facts supported by clear and convincing evidence," *Finnigan Corp. v. Int'l Trade Comm'n*, 180 F.3d 1354, 1365 (Fed. Cir. 1999), the challenger in IPR must prove unpatentability "by a preponderance of the evidence." 35 U.S.C. § 316(e).

Another difference: Pleading standards in district court are not as stringent as those in IPR. In federal court, a short and plain statement of the facts entitling one to relief is enough to state a claim. *See, e.g.*, *Ashcroft v. Iqbal*, 556 U.S. 662 (2009). Not so with IPR. The threshold for getting an IPR instituted is much higher: The PTO may not institute an IPR unless "information presented in the petition" shows "a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C. § 314(a).

Yet another difference: Discovery in district court is broad, and includes not only broad fact and expert discovery, but also live testimony regarding the same. *See* Fed. R. Civ. P 26(b)(1). But for IPR proceedings, Congress prescribed "that such discovery shall be limited to the deposition of witnesses submitting affidavits or declarations." 35 U.S.C. § 316(a)(5).

Still another difference: Unlike patent litigation, which averages nearly two-and-a-half years to completion (*see* PwC, 2015 Patent Litigation Study 14 (July 2014), http://www.pwc.com/us/en/forensic-services/publications/patent-litigation-study.html), IPR must be completed "not later than 1 year after" institution (absent an extension for good cause). 35 U.S.C. § 316(a)(11).

The list goes on, but it is clear that Congress did not intend IPR to be a carbon copy of patent litigation. It is a substitute for the old *inter partes* reexamination process. The legislative history makes that explicit: "The Act converts inter partes reexamination from an examinational to an adjudicative proceeding, and renames the proceeding 'inter partes review.'" H.R. REP NO. 112-98, pt. 1, at 46–47 (2011). Instead of creating a new review process from scratch, Congress took the old reexamination process (almost) down to the studs and rebuilt it into IPR. Just as a renovated house retains some features of the old, so IPR permissibly retains several features of the *inter partes* reexamination proceeding—including the broadest-reasonable-interpretation standard.

At bottom, Cuozzo's insistence on IPR's retaining "adjudicatory" aspects identical to those found in district court is a stalking horse for its efforts to convince this Court to withhold deference to the PTO's permissible choice of the broadest-reasonable-interpretation standard.

III. CUOZZO'S POLICY ARGUMENTS ARE IRRELEVANT AND OVERSTATED.

The PTO's regulation adopting the broadest-reasonable-interpretation standard for IPR was "a permissible construction" of the AIA comfortably within the agency's delegated authority. *Chevron*, 467 U.S. at 843. That is the end of the inquiry. *See Mead Corp.*, 533 U.S. at 226–27

Cuozzo knows that it loses under *Chevron*, which is why it all but ignores the doctrine and leads with a set of policy arguments about how the broadest-

reasonable-interpretation standard will turn the patent world upside down. But those policy arguments are irrelevant. "The proper *Chevron* inquiry is not whether the agency construction can give rise to undesirable results in some instances (as here *both* constructions can), but rather whether, in light of the alternatives, the agency construction is reasonable." *Barnhart v. Thomas*, 540 U.S. 20, 29 (2003). As this Court stated in *Chevron* itself—and has repeated countless times—"[w]hen a challenge to an agency construction of a statutory provision, fairly conceptualized, really centers on the wisdom of the agency's policy, rather than whether it is a reasonable choice within a gap left open by Congress, the challenge must fail." *Chevron*, 467 U.S. at 866; *see also id.* ("The responsibilities for assessing the wisdom of [an agency's] policy choices and resolving the struggle between competing views of the public interest are not judicial ones "); *Mead Corp.*, 533 U.S. at 229 ("[A] reviewing court has no business rejecting an agency's exercise of its generally conferred authority to resolve a particular statutory ambiguity simply because the agency's chosen resolution seems unwise ").

But even if the Court could consider policy arguments, they would all still fail. Cuozzo's primary complaint seems to be that the broadest-reasonable-interpretation standard is leading the PTO to invalidate more patents than ever before. Pet. Br. 34. But dealing with suspect patents is precisely what Congress intended when it passed the AIA. *In re Cuozzo Speed Techs.*, 793 F.3d at 1285 (Newman dissenting) (acknowledging that one of the AIA's goals is "facilitating the removal of patents that were improvidently granted") (citation omitted). Cuozzo

acknowledges as much in its brief. Pet. Br. 2–3 (agreeing that IPR fulfills Congress's "goal of improving the quality of patents and reducing unnecessary litigation costs."). That is reason enough to uphold the PTO's regulation.

The other policy arguments that jump back and forth between Cuozzo's and its *amici*'s briefs are more of the same and equally irrelevant. For instance, one *amici* argues that the broadest-reasonable-interpretation standard has led to the wrong result in particular cases. InterDigital Am. Br. 24–28. But the same is true for the district court standard that Cuozzo espouses.

Cuozzo argues that IPR results sometime diverge from litigation results on the same facts (Pet. Br. 34–35), but that, too, is a red herring. Potentially divergent results already exist, and have always existed, across PTO proceedings and district-court litigation. *See, e.g., Fresenius USA Inc. v. Baxter Int'l, Inc.*, 21 F.3d 1330 (Fed. Cir. 2013) (addressing claims found not invalid in district court, but later found invalid in *ex parte* reexamination). Besides, Congress recognized that potential tension and "expressly authorize[d] a stay of litigation in relation to such proceedings. It is congressional intent that a stay should only be denied in extremely rare instances." 157 Cong. Rec. 3416 (2011) (statement by Sen. Schumer).

Another *amicus* party claims that IPR is "displac[ing] district courts as a forum for adjudicating patent validity." Biotechnology Innovation Org. Am. Br. at 26–27. But that argument contradicts Congress's clear intent (which even Cuozzo recognizes) for the AIA to "limit unnecessary and counterproductive litigation

costs " 157 Cong. Rec. 3400 (2011) (statement by Sen. Leahy).

Cuozzo is correct that the PTO's decision to adopt the broadest-reasonable-interpretation standard has policy implications. But that is exactly as it should be. The PTO—"the 'agency to which Congress h[as] delegated policymaking responsibilities"—"[is] the appropriate political actor to resolve the competing interests at stake, 'within the limits of that delegation.'" *City of Arlington*, 133 S. Ct. at 1881 (quoting *Chevron*, 467 U.S. at 865).

At any rate, the patent world is not undergoing a sea change.

First, in certain instances, the broadest-reasonable-interpretation standard may very well produce the same result as the ordinary-meaning standard applied in district courts; both standards first look to claim-language's plain meaning. *See, e.g.*, *Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 1346–47 (Fed. Cir. 2016) (affirming PTO's "plain meaning" conclusion that "'flat knit edge' is 'an edge of a flat knit textile element, which is itself flat knit'").

Second, the Federal Circuit serves as a backstop against unreasonable applications of the broadest-reasonable-interpretation standard. The Federal Circuit has authority to review final written decisions from IPR. 35 U.S.C. § 319. When a party takes an appeal from IPR, the Federal Circuit "conduct[s] a de novo review of the Board's determination of the broadest reasonable interpretation of the claim language." *Straight Path IP Grp., Inc. v. Sipnet EU S.R.O.*, 806 F.3d 1356, 1360 (Fed. Cir. 2015). If the

PTO misapplies the broadest-reasonable-interpretation standard—just as district courts sometimes misapply the ordinary-meaning standard—the party on the receiving end of that mistake can ask the Federal Circuit to correct it.

And the Federal Circuit is not shy about doing so. Earlier this month, the Federal Circuit considered appellate challenges by both sides after an IPR. *See Dell Inc. v. Acceleron, LLC*, ___ F.3d ___, No. 2015-1513, 2016 WL 1019075 (Fed. Cir. Mar. 15, 2016). The Federal Circuit affirmed the PTO's decisions on a number of claims but vacated the PTO's cancellation of two claims—one of which the PTO had cancelled because of purported claim-construction problems. *Id.* at *5. And in February, the Federal Circuit vacated the PTO's determination in another IPR that some claims were unpatentable, while upholding the agency's same determination about other claims. *See PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, ___ F.3d ___, No. 2015-1361, 2016 WL 692368 (Fed. Cir Feb. 22, 2016). Those are just two (very recent) examples. Others abound. Appellate review of final written decisions in IPR will keep the broadest-reasonable-interpretation standard from working all the evils that Cuozzo ascribes to it.

Third, and finally. even if the sky were falling, or looked like it *might* start falling, both the PTO and Congress have the authority to change the standard in the future. Congress can always specify the claim-construction for IPR. Bills are pending that would do just that. *In re Cuozzo Speed Techs.*, 793 F.3d at 1299 (Dyk, J., concurring in denial of rehearing *en banc*) (citing, among other things, proposed legislation that

would set the claim-construction standard for IPR as something other than the broadest reasonable interpretation). Beyond that, the PTO—the agency "authorized by Congress to administer this legislation" (*Chevron*, 467 U.S. at 864)—is also free to exercise its delegated authority to select a different standard should the need arise. In fact, "the agency must consider varying interpretations and the wisdom of its policy on a continuing basis.'" *Brand X*, 545 U.S. at 981–82 (quoting *Chevron*, 467 U.S. at 863–64). The ongoing ability of Congress and the PTO to act is more than sufficient reason for the Court to stay its hand here.

* * *

"The arguments over policy that are advanced in the briefs create the impression that [Cuozzo and its *amici*] are now waging in a judicial forum a specific policy battle which they ultimately lost in the agency"—precisely what this Court warned against doing in *Chevron*. 467 U.S. at 864. It is not this Court's role to mediate that policy battle. Cuozzo should direct its policy arguments to Congress or the PTO, the political actors who actually have authority to make the judgment calls that Cuozzo desires.

IV. CONGRESS EXPRESSLY BARRED JUDICIAL REVIEW OF THE PTO'S INSTITUTION DECISIONS.

In interpreting a statute, this Court "always turn[s] first to one, cardinal canon before all others": the plain-meaning rule. *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253 (1992). The Court presumes that "Congress says in a statute what it means and means in a statute

what it says there." *Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 6 (2000) (internal quotation marks omitted). "When the words of a statute are unambiguous," the "first canon is also the last: 'judicial inquiry is complete.'" *Conn. Nat'l Bank*, 503 U.S. at 254 (quoting *Rubin v. United States*, 449 U.S. 424, 430 (1981)). This Court's analysis of the appealability question should start and stop with the AIA's plain language.

In stark contrast to Congress's silence on the claim-construction standard, Congress could not have spoken more clearly in stating that the decision to institute IPR is not appealable. Section 314(d), entitled "No appeal," mandates that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. § 314(d). It is difficult to envision a clearer expression of Congressional intent. By declaring institution decisions "final and nonappealable," Congress unambiguously, and without qualification, foreclosed review of the PTO's institution decisions.

Despite that unconditional directive, Cuozzo argues that this section does not completely preclude review of institution decisions altogether but merely postpones review until the PTO issues a final written decision appealable under Section 35 U.S.C. § 319. Pet. Br 46–54. That strained interpretation cannot be squared with the plain language and purpose of the AIA. As the Federal Circuit recognized, the statute:

> provides that the decision is both "nonappealable" and "final," i.e., not subject to further review. A declaration that the decision to institute is "final" cannot reasonably be

> interpreted as postponing review until after issuance of a final decision on patentability.

In re Cuozzo Speed Techs., 793 F.3d at 1273. Without qualification, the statute forecloses judicial review of the PTO's institution decision in all instances. *See United States v. Ron Pair Enters., Inc.*, 489 U.S. 235, 242 (1989) ("The plain meaning of legislation should be conclusive ") (internal quotation marks omitted); *62 Cases, More or Less, Each Containing Six Jars of Jam v. United States*, 340 U.S. 593, 596 (1951) ("Congress expresses its purpose by words. It is for us to ascertain—neither to add nor to subtract, neither to delete nor to distort.").

Under the statutory scheme that Congress established, a patent owner dissatisfied with the PTO's final written decision is entitled to obtain review of the merits of the Board's patentability determination, but is not entitled to challenge the PTO's threshold decision to institute the proceeding. 35 U.S.C. §§ 319, 314(d). That is Congress's plain intent, not to be second-guessed or re-written by the courts.

That interpretation is not only required but is also good policy. It focuses judicial review and resources on the merits of the PTO's patentability decision while avoiding unnecessary review of threshold questions that are not relevant to the proper scope of the patent owner's exclusive rights. In other words, if the Federal Circuit ultimately affirms a meritorious patent challenge, then that patent is rightfully invalidated (and was "improvidently granted" in the first instance), regardless of any procedural issues surrounding the institution. Such a scheme supports the public's interest in efficiently eliminating invalid patents,

particularly in industries like pharmaceuticals, where invalid patents can (and do) bar market entry of competing generic products longer than Congress intended.

Essentially calling for a get-of-jail-free card, Cuozzo and its supporters seek to exploit judicial review of institution decisions in an effort to insulate invalid patents. But as the Federal Circuit recognized, a flawed decision to institute review is not a basis for setting aside a decision on the merits that a patent should not have issued in the first place. *See In re Cuozzo Speed Techs.*, 793 F.3d at 1274 ("The fact that the petition was defective is irrelevant because a proper petition could have been drafted."). Holding otherwise works a disservice not only to the consuming public, but to the integrity of the patent system as a whole.

Cuozzo and its supporters also overlook that, in many instances, an IPR petitioner could be statutorily time-barred by another AIA provision from refiling a *meritorious* petition to correct procedural issues. That separate provision forecloses a party from filing an IPR petition one year after receiving a complaint alleging infringement. 35 U.S.C. § 315(b). So under Cuozzo's rule, in many cases, a party who had successfully challenged a patent in IPR only to see that challenge undone by a post-hoc finding that the institution decision was "defective" would be foreclosed from refiling a new IPR petition. It defies logic to suggest that Congress intended that result. Yet in Cuozzo's world, despite investing substantial time and resources in a successful patent challenge, a would-be challenger would be left with no alternative but to invest even

more money and time re-challenging the patent in district-court litigation. In essence, patent owners would be able to maintain an invalid patent and escape on a technicality in the initiation of review. It is an understatement to say that this neither serves the purpose of the AIA nor the interests of the public at large, not to mention Congress's intent.

Prohibiting review of institution decisions is also consistent with the AIA's purpose. As even Cuozzo recognizes, Congress enacted the AIA to create "a more efficient and streamlined patent system [to] improve patent quality and limit unnecessary and counterproductive litigation costs " 157 Cong. Rec. 3400 (2011) (statement by Sen. Leahy); *see also* Pet. Br. 3, 16 (the "cornerstone" of the AIA was the creation of patent proceedings to "provide a reliable early decision, by technology-trained patent-savvy adjudicators, with economies of time and cost" and to "reliably resolve most issues of patent validity, without the expense and delay of district court litigation.") (quoting App. 32a–33a (Newman, J., dissenting)). Allowing patent owners to safeguard invalid patents by appealing procedural violations rather than the merits of the challenge undermines the very benefits of the efficient and cost-effective scheme that Congress sought to achieve through the AIA.

The statute's language is plain. It forecloses judicial review of the PTO's institution decisions in all instances. Simply put, there is no basis to construe "final and nonappealable" to mean conditional and appealable—the exact opposite of the clear language used in Section 314(d). *See generally In re Cuozzo Speed Techs.*, 793 F.3d at 1273. ("A declaration that the

decision to institute is 'final' cannot reasonably be interpreted as postponing review until after issuance of a final decision on patentability."). The statute's clear language alone should end the enquiry.

CONCLUSION

For all these reasons and those stated in the Respondent's separate brief, this Court should affirm the judgment below.

Respectfully submitted,

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IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF PUBLIC KNOWLEDGE AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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TABLE OF CONTENTS

TABLE OF AUTHORITIES ii
INTEREST OF *AMICUS CURIAE* 1
SUMMARY OF ARGUMENT 1
ARGUMENT 5

I. Petitioner's Desired Claim Construction Standard Is Not Appropriate for *Inter Partes* Review 5
   A. The Proffered Standard Is Not "Correct," but Rather Driven by Litigation-Specific Policy Concerns 6
   B. The Volatility of That Standard Further Proves That It Is Policy-Driven 10
   C. The Public Interest Purpose of *Inter Partes* Review Justifies Use of a Different Standard 13

II. Changing the Claim Construction Standard Will Encourage Improper Behavior in *Inter Partes* Review 16
   A. The Facts of This Case Illustrate Needless Gamesmanship Before the Courts and Patent Office 16
   B. Petitioner's Desired Standard Would Increase Costs and Facilitate Undue Manipulation of *Inter Partes* Review 23

III. Petitioner Likely Has No Standing to Raise the Claim Construction Question 25
   A. Cuozzo's Injury Is Not Redressable 26
   B. Dismissal Would Comport with the Rationale for the Standing Doctrine 28

CONCLUSION 32
APPENDIX A: Excerpt of Oral Argument Before the Federal Circuit 1a
APPENDIX B: Excerpt of Oral Argument Before the Patent Trial and Appeal Board 3a

TABLE OF AUTHORITIES

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Alice Corp. Pty. Ltd. v. CLS Bank International, 134 S. Ct. 2347 (2014) 1

Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313 (1971) 14

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Nos. 14-1513, -1520 (U.S. argued Feb. 23, 2016) 1

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134 U.S. 1 (1890) 30

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535 U.S. 826 (2002) 12

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134 S. Ct. 2120 (2014) 9, 15, 24

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498 F.3d 1307 (Fed. Cir. 2007) 21

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v. Matsushita Electric Corp. of America,
775 F.2d 1107 (1985) 11

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523 U.S. 83 (1998) 26

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359 U.S. 180 (1959) 29

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v. Non-Invasive Medical Technologies Corp.,
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412 U.S. 669 (1973) 29

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INTEREST OF *AMICUS CURIAE*

Public Knowledge[1] is a non-profit organization dedicated to preserving the openness of the Internet and the public's access to knowledge, promoting creativity through balanced intellectual property, and upholding and protecting consumers' rights to use innovative technology lawfully. Public Knowledge advocates on behalf of the public interest for a balanced patent system, particularly with respect to new and emerging technologies.

Public Knowledge has previously served as *amicus* in patent cases. *E.g.*, *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, Nos. 14-1513, -1520 (U.S. argued Feb. 23, 2016); *Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401 (2015); *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014).

SUMMARY OF ARGUMENT

1. This Court should reject the invitation to change the claim construction standard applied during *inter partes* review, because the proposed alternative is an inferior standard for that specialized proceeding.

The primary argument of Cuozzo and its supporting *amici* is that the claim construction standard applied by district courts reaches the "correct" or "actual" construction, and so the Board should use the "correct" standard. But the district court standard is far from objectively "correct." Claim construction before district courts is an

[1]Pursuant to Supreme Court Rule 37.3(a), Petitioner granted blanket consent, and Respondent consented separately. Pursuant to Rule 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person or entity, other than *amicus*, its members, or its counsel, made a monetary contribution to the preparation or submission of this brief.

incomparably complex, uncertain, and unpredictable process. Words in patent claims are often construed to have meanings far from their ordinary definitions.

These counterintuitive constructions arise, at least in part, because courts seek to protect the inventive contribution of patents, even when those patents are poorly drafted. Having no power to amend patents, courts will regularly bend over backwards to construe patents in ways that preserve their value to their owners.

This willingness to favor patent owners in district court claim construction is a measured policy choice, not the objectively "correct" result. Indeed, it has led to what can only be described as a mess in the state of claim construction law, recognized by commentators and even judges of the Federal Circuit. And it suggests that the district court claim construction standard is not a rule of general applicability, but rather one that should be at most cabined to the specific forum in which it was born, namely district court litigation of patents.

Inter partes review is a significantly different proceeding, and thus it warrants a significantly different claim construction standard. The opportunity to amend evaporates the adjudicator's need to bend over backwards to use claim construction to rewrite poorly drafted patents. Furthermore, *inter partes* review was designed to advance the public interest in improving patent quality. The broadest reasonable interpretation standard, used during that proceeding, also was designed to advance the public interest in patent clarity. That standard is thus well justified for use in *inter partes* review.

The broadest reasonable interpretation standard is well suited for *inter partes* review. Petitioner's alternative is inferior and unjustified. This Court should affirm.

2. Besides being less appropriate to *inter partes* review, Petitioner's standard would have the ill effect of encouraging manipulative tactics during that proceeding, which will increase costs for all parties and subvert the mission and resources of the proceeding.

Cuozzo's litigation behavior, shown through facts presented in this brief, exemplifies this undue exploitation of process. By definition, the district court standard that Cuozzo supports cannot interpret a claim more broadly (that is, to encompass more subject matter) than the broadest reasonable interpretation. Yet, in this case, Cuozzo's patent received a narrow interpretation, and Cuozzo seeks to have the patent read to encompass more subject matter, not less.

In other words, Cuozzo is asking for a narrower claim construction standard in order to obtain a broader claim construction.

Why, then, does Cuozzo pursue this case? It cannot be to alter the outcome of the *inter partes* review, as the district court standard will leave Cuozzo's patent claims equally invalid—a broader reading of a claim cannot be valid when a narrower one is invalid for obviousness. Instead, the record reveals that Cuozzo seeks a broader claim construction in order to facilitate its infringement arguments in unrelated litigation—a manipulative attempt to commandeer *inter partes* review to ends external to the proceeding.

The district court claim construction standard opens the door to widespread engagement in such tactics. That standard, notorious for its unpredictability, will offer attorneys numerous opportunities to exploit ambiguities in patents, to draw out adjudication, and to engage in collateral interest fishing expeditions as Cuozzo did. These

tactics raise costs for all parties, and they demean the adjudicatory process. Avoidance of these possibilities further justifies affirming the Court of Appeals.

3. The odd facts of this case do not merely highlight Cuozzo's misaligned interests; they suggest that Cuozzo actually lacks standing to resolve the claim construction standard in the first place.

This Court only has jurisdiction if Cuozzo can show standing, which requires a redressable injury. But the injury here, namely invalidation of several patent claims, cannot be redressed by changing the claim construction standard. Since Cuozzo asks for a broader claim construction, its patent claims will still be as obvious and invalid as they were when the *inter partes* review proceeding initially concluded. Cuozzo cannot show that it would actually benefit from a favorable decision of this Court, and so Cuozzo lacks standing.

Lack of standing here is no mere technical defect, but rather goes to the heart of the standing doctrine itself. Standing ensures that courts do not issue advisory opinions, and more importantly that courts have a solid exemplary fact pattern upon which to rest their decisions. Cuozzo's case presents no such solid fact pattern: rather than illustrating the actual difference between the claim construction standards at issue, it illustrates an uninformative, backwards situation. Any ruling on the claim construction question would be based not on the facts of this case but rather on abstract and hypothetical statements of patent philosophy proffered by Cuozzo and *amici*. This Court should not issue such a ruling.

ARGUMENT

This brief addresses only the question presented relating to the proper standard for claim construction during *inter partes* review.

I. PETITIONER'S DESIRED CLAIM CONSTRUCTION STANDARD IS NOT APPROPRIATE FOR *INTER PARTES* REVIEW

This Court should affirm the decision of the Court of Appeals that the broadest reasonable interpretation standard for claim construction is properly applied during *inter partes* review. The competing standard, announced most prominently in the Federal Circuit's decision *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005),[2] is the one applied in district courts and the International Trade Commission during patent infringement litigation. But this standard, termed the *Phillips* or district court standard in this brief, should not be applied in *inter partes* review.

The *Phillips* standard is designed not to arrive at the "correct" claim construction, but rather to achieve policy objectives such as assisting patent owners in view of concerns about the limitations of patent litigation. *Inter partes* review presents different concerns, such as promoting the public interest in patent quality. These differences warrant a different standard for claim construction. This Court should reject Petitioners' invitation to apply an ill-fitting claim construction standard to *inter partes* review, and so it should affirm the Court of Appeals.

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[2]The standard far predates *Phillips*. *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576 (Fed. Cir. 1996), applied the same standard, and *Phillips* merely reaffirmed the holding of *Vitronics*. *See Phillips*, 415 F.3d at 1312.

A. The Proffered Standard Is Not "Correct," but Rather Driven by Litigation-Specific Policy Concerns

Contrary to suggestions by Cuozzo and its supporting *amici*, the district court claim construction standard does not reflect "what claims *actually* mean."[3] Quite the opposite, the *Phillips* standard is designed not to reach the objectively correct meaning of the claim, but rather to accommodate policy interests particular to the unique nature of patent litigation, and in particular the inability of courts to rewrite patents even in view of inadvertent or careless drafting. These litigation-specific policy concerns make the *Phillips* standard only applicable to situations like district court litigation.

1. As an initial matter: despite Cuozzo's characterization, the district court claim construction standard is far from the "ordinary meaning" of the claims.

Although the ordinary meaning of a claim term carries significant weight, *Phillips*, 415 F.3d at 1312–13, courts regularly depart from that ordinary meaning. For example, the patent specification may redefine a term in a way that "differs from the meaning it would otherwise possess"; there, "the inventor's lexicography governs" rather than the ordinary meaning. *Id.* at 1316 (citing *CCS Fitness, Inc. v. Brunswick Corp.*, 288 F.3d 1359, 1366 (Fed. Cir. 2002)). Or the prosecution history of a patent may suggest a departure from ordinary meaning, for example "making the claim scope narrower than it would otherwise be." *Id.* at 1317 (citing *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582–83 (Fed. Cir. 1996)).

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[3] *E.g.*, Br. Pet'r 17; *see also* Br. Interdigital et al., Feb. 29, 2016 (repeatedly describing *Phillips* construction as "correct").

Numerous decisions illustrate how district court claim construction diverges greatly from ordinary meaning:

- In *Toro Co. v. White Consolidated Industries, Inc.*, the word "including" was construed to mean "permanently affixed to"—obviously not the ordinary meaning. 199 F.3d 1295, 1300–02 (Fed. Cir. 1999).

- In *Nystrom v. Trex Co.*, the term "board" was construed to encompass not any board, but rather only "wood cut from a log," despite the court recognizing that the claim language included no such requirement. 424 F.3d 1136, 1143 (Fed. Cir. 2005).

- In *Transonic Systems, Inc. v. Non-Invasive Medical Technologies Corp.*, the district court construed "calculating" and "determining" not to have their ordinary meanings of performing a calculation, but rather to require application of a specific formula for a "dilution curve." *See* 143 Fed. App'x 320, 322 (Fed. Cir. 2005). The Federal Circuit reversed, determining that the terms required application of a *different* formula. *See id.* at 327–28.

See generally Russell B. Hill & Frank P. Cote, *Ending the Federal Circuit Crapshoot: Emphasizing Plain Meaning in Patent Claim Interpretation*, 42 IDEA 1, 15–22 (2002) (noting the Federal Circuit's "[r]efusing to apply the plain and ordinary meaning to simple terms").

Indeed, the Federal Circuit has specifically admonished *against* reliance on ordinary dictionary meanings in construing claims. It has said, for instance, that "a general-usage dictionary cannot overcome credible art-specific evidence of the meaning or lack of meaning of a claim term." *Vanderlande Indus. Nederland BV v. Int'l*

Trade Comm'n, 366 F.3d 1311, 1321 (Fed. Cir. 2004). And it has "cautioned against the use of non-scientific dictionaries" in claim construction. *Dow Chem. Co. v. Sumitomo Chem. Co.*, 257 F.3d 1364, 1372 (Fed. Cir. 2001) (citing *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1478 (Fed. Cir. 1998)). Complex and uncertain canons and rules, not "ordinary meaning," govern claim construction under *Phillips*.[4]

2. These unexpected and counterintuitive interpretations arise because the precepts of district court claim construction are aimed not so much at objective "correctness" but rather at policy objectives such as protecting patentees from the limitations of court litigation.

District courts have a very limited menu of decisions they can reach: they can declare a patent invalid or not, and they can declare a patent infringed or not. In particular, courts usually cannot revise the content of patents: "A district court can correct a patent only if, among other things, 'the error is evident from the face of the patent.'" *H-W Tech., LC v. Overstock.com, Inc.*, 758 F.3d 1329, 1333 (Fed. Cir. 2014) (quoting *Group One, Ltd. v. Hallmark Cards, Inc.*, 407 F.3d 1297, 1303 (Fed. Cir. 2005)).

Courts will use claim construction to help patent owners avoid the severity of these all-or-nothing results. This Court once said that "if the claim were fairly susceptible

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[4]That *Phillips* occasionally described its own standard as "ordinary meaning," *e.g.*, 415 F.3d at 1314, is of little moment. The court took "ordinary meaning" to refer to "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention," *id.* at 1313, an inquiry that encompasses all the complexity described above. *See also Medrad, Inc. v. MRI Devices Corp.*, 401 F.3d 1313, 1319 (Fed. Cir. 2005) ("[W]e must look at the ordinary meaning in the context of the written description and the prosecution history.").

of two constructions, that should be adopted which will secure to the patentee his actual invention, rather than to adopt a construction fatal to the grant." *Smith v. Snow*, 294 U.S. 1, 14 (1935). More recently, the Federal Circuit has explained that the opportunity to amend claims "is not available in an infringement action in district court," and so "district courts may find it necessary to interpret claims to protect only that which constitutes patentable subject matter to do justice between the parties." *In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984) (citing *In re Prater*, 415 F.2d 1393, 1404 (C.C.P.A. 1969)).

Demonstrating this willingness in claim construction to bend over backwards to avoid invalidating a patent, *Exxon Research & Engineering Co. v. United States* involved a patent claim that the district court had found indefinite. *See* 265 F.3d 1371, 1374 (2001). But the Federal Circuit was willing to perform the task of construing the patent terms to save it from indefiniteness, "however difficult that task may be" and "even though that task may be formidable and the conclusion may be one over which reasonable persons may disagree." *Id.* at 1375.[5]

That willingness to undertake "formidable" claim construction efforts arises out of a desire to protect patentees from the harsh disposition of invalidation. *Exxon*

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[5]To the extent that it relied on the "insolubly ambiguous" standard for indefiniteness, *Exxon Research* was overruled by *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2130 n.9 (2014). Nevertheless, *Exxon Research* is instructive of the manner in which courts construe claims under *Phillips*. Furthermore, although *Exxon Research* itself predates *Phillips*, the command of *Exxon Research* to undertake "formidable" claim construction was repeatedly followed after *Phillips*. *See, e.g., Power-One, Inc. v. Artesyn Techs., Inc.*, 599 F.3d 1343, 1350 (Fed. Cir. 2010); *see also id.* at 1348–49 (requiring 754 words to construe the word "near").

Research explained that construing even poorly drafted claims would "protect the inventive contribution of patentees, even when the drafting of their patents has been less than ideal." *Id.* And the predecessor court to the Federal Circuit cleanly summed up how claim construction could resolve the tension between limited district court capabilities and protection of patentees:

> By construing a claim as covering only patentable subject matter, courts are able, in appropriate cases, to hold claims valid in order to protect the inventive concept or the inventor's contribution to the art. The patentee at that time usually may not amend the claims to obtain protection commensurate with his actual contribution to the art."

In re Prater, 415 F.2d 1393, 1404 n.30 (C.C.P.A. 1969); *cf. Rhine v. Casio, Inc.*, 183 F.3d 1342, 1345 (Fed. Cir. 1999) (where possible, "claims should be construed to sustain their validity"), *quoted in Phillips*, 415 F.3d at 1327; *Photo Elecs. Corp. v. England*, 581 F.2d 772, 776 (9th Cir. 1978) ("[P]atent claims should be construed liberally to uphold the patent's validity rather than to destroy the inventor's right to protect the substance of his invention.").

Use of claim construction to "protect the inventive concept" is a policy choice, not mere "correctness." That policy limits the applicability of the *Phillips* standard.

B. The Volatility of That Standard Further Proves That It Is Policy-Driven

The confused and unpredictable state of claim construction law further highlights that the district court standard is driven by policy, not accuracy.

Underlining the degree to which litigation claim construction is not driven by pure correctness: in one instance, the Federal Circuit twice construed the same claim terms in the same patent, and reached two different results. *CVI/Beta Ventures, Inc. v. Tura LP*, 112 F.3d 1146, 1160 & n.7 (Fed. Cir. 1997) (comparing the decisions). Reviewing the decisions, Professor (now Federal Circuit judge) Kimberly Moore found no justification for the discrepancy, and concluded that the cases "create doubt as to whether the Federal Circuit serves as a test of 'accuracy' of district court claim construction." Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 15 Harv. J.L. & Tech. 1, 21 (2001).

The Federal Circuit tried—and failed—to treat claim construction as devoid of policy. In *SmithKline Beecham Corp. v. Apotex Corp.*, the court asserted that claim construction "is not a policy-driven inquiry," rather being merely "a contextual interpretation of language." 403 F.3d 1331, 1340 (Fed. Cir. 2005) (Rader, J.). "For this precise reason," the court went on, "a court must construe claims without considering the implications of covering a particular product or process." *Id.* at 1341.

SmithKline is correct that, were accused products relevant to claim construction, then claim construction would necessarily be policy-driven. And less than a year later, *the exact same judge* wrote that patent claims "must inevitably be construed in context of the accused device." *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1327 (Fed. Cir. 2006) (Rader, J.) (characterizing *SRI Int'l v. Matsushita Elec. Corp. of Am.*, 775 F.2d 1107, 1118 (1985)). Judge Rader proved the very thing he sought to reject: that district court claim construction is based on policy, not mere correctness.

Inconsistencies like these have drawn criticisms, explicitly stating what the Federal Circuit inevitably implies: that claim construction is driven by policy considerations. Two leading patent law treatises both reject the premise of *SmithKline*, concluding instead that patent claim construction is at least in part "based . . . on patent policy." 5A Donald S. Chisum, *Chisum on Patents* § 18.03[2][f] (2007); *accord* Robert L. Harmon et al., *Patents and the Federal Circuit* § 6.2(d)(v), at 490 (11th ed. 2013) (*SmithKline* "reached far and made some bad law"). Even a judge of the Federal Circuit bemoaned that the court's claim constructions derived from "interpretive necromancy" and that its decisions "resemble reality, if at all, only by chance." *Phillips*, 415 F.3d at 1330 (Mayer, J., dissenting) (quoting *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 833 (2002)).

Going further, commentators have concluded that "there is no single best claim meaning for a given patent claim." Thomas Chen, *Patent Claim Construction: An Appeal for* Chevron *Deference*, 94 Va. L. Rev. 1165, 1179 (2008); *accord* Dan L. Burk & Mark A. Lemley, *Fence Posts or Sign Posts? Rethinking Patent Claim Construction*, 157 U. Pa. L. Rev. 1743, 1745 (2009) ("[C]laim construction may be inherently indeterminate . . . "). Scholars have recommended that claim construction focus less on linguistic precision and more on "normative disputes over policy issues." Tun-Jen Chiang & Lawrence B. Solum, *The Interpretation-Construction Distinction in Patent Law*, 123 Yale L.J. 530, 536 (2013). These views further confirm that the *Phillips* claim construction standard is not "correct," but rather a measured policy response to a particular legal proceeding.

The tortured and unpredictable record of claim construction rejects the premise that the *Phillips* standard is objectively "correct." Instead, that standard is one developed to deal with specific policy concerns relevant to the specific proceeding of patent litigation. This Court should not apply that standard to *inter partes* review without considering the key differences between the proceedings.

C. The Public Interest Purpose of *Inter Partes* Review Justifies Use of a Different Standard

The above discussion raises serious questions about whether the Federal Circuit's approach to claim construction is correct at all.[6] But for purposes of this case it is sufficient to recognize that, whatever the propriety of the *Phillips* standard in litigation proceedings, the standard is highly inappropriate for the vastly different proceeding of *inter partes* review.

The government, as Respondent, correctly relies on the availability of amendments during *inter partes* review to justify application of the broadest reasonable interpretation standard. *See* Br. Resp't 17–27. The ability to amend claims has long justified application of that standard, even where that ability to amend has been procedurally limited. *See Yamamoto*, 740 F.2d at 1571–72; *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1990); 35 U.S.C. § 305 (limiting opportunity to amend in *ex parte* reexamination).

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[6] *Cf.* Andrew B. Dzeguze, *Did Markman and Phillips Answer the Right Question? A Review of the Fractured State of Claim Construction Law and the Potential Use of Equity to Unify It*, 15 Tex. Intell. Prop. L.J. 457, 489 (2007) (proposing that district courts use broadest reasonable interpretation rather than *Phillips*).

But beyond the government's justification, the explicit mandate to advance the public interest during *inter partes* review also solidifies the virtue of using the broadest reasonable interpretation, which is designed to promote the public interest in patent clarity.

While a part of the intent behind *inter partes* review was to create a new adjudicatory forum for private disputes, the "main argument" for the patent post-grant proceedings authorized by the America Invents Act was the public benefit in testing patents of "dubious validity," as such patents "can disrupt product development in a field of technology for years." Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539, 600 (2012) (citing statements in hearings leading to the America Invents Act). This is in accord with this Court's longstanding recognition of "the importance to the public at large of resolving questions of patent validity." *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 100 (1993) (citing *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971)).

Further confirming that *inter partes* review is directed to the general public interest in patent quality and not mere resolution of private disputes: even if the parties to the proceeding settle, the Patent Trial and Appeal Board may still decide patentability. *See* 35 U.S.C. § 317(a) (permitting Board, after settlement, to "proceed to a final written decision"); 37 C.F.R. § 42.74(a) ("[T]he Board is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice."). If the Board were merely an arbiter of party disputes, its power to issue decisions would terminate once that dispute was settled. That the Board may continue to decide patentability even when no party

contests it suggests that the Board acts, in such situations, in the service of the general public interest.

Part and parcel of this public concern for patent quality is the concern for patent clarity. *Nautilus, Inc. v. Biosig Instruments, Inc.* demanded that "a patent must be precise enough to afford clear notice of what is claimed, thereby apprising the public of what is still open to them." 134 S. Ct. 2120, 2129 (2014) (quoting *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 373 (1996)) (internal quotes and alterations omitted). This call for clarity counteracts the known fact that "patent applicants face powerful incentives to inject ambiguity into their claims." *Id.*[7] Countering this perverse incentive with an encouragement toward clarity will undoubtedly lead to higher quality patents.

The broadest reasonable interpretation standard encourages clarity. In perhaps the earliest decision to recognize the value of broad interpretation, the Commissioner of the Patent Office stated:

> No better method of construing claims is perceived than to give them in each case the broadest interpretation which they will support without straining the language in which they are couched. [A] claim which does not carry its true meaning upon its face misleads those affected by the patent instead of guiding them as to its true scope

[7] *See also* Michael Risch, *The Failure of Public Notice in Patent Prosecution*, 21 Harv. J.L. & Tech. 179, 180 (2007) ("Patent applicants have an incentive to keep issued patents vague because vagueness allows for ex post gaming."); *Brenner v. Manson*, 383 U.S. 519, 534 (1966) (noting "the highly developed art of drafting patent claims so that they disclose as little useful information as possible").

Podlesak & Podlesak v. McInnerney, 123 Off. Gaz. Pat. Office 1989, 1990 (1906), *available at* URL *supra* p. iv. Indeed, the Commissioner admonished against construing claims "according to the exigencies of the particular situation in which the claim may stand," *id.*—a practice remarkably like claim construction under *Phillips*, *see Wilson Sporting Goods*, 442 F.3d at 1327.

Thus, the broadest reasonable interpretation standard "serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified." *Yamamoto*, 740 F.2d at 1571. That encouragement toward clear claim drafting is a substantial justification for continued use of the broadest reasonable interpretation standard in *inter partes* review.

II. CHANGING THE CLAIM CONSTRUCTION STANDARD WILL ENCOURAGE IMPROPER BEHAVIOR IN *INTER PARTES* REVIEW

Cuozzo's preferred claim construction standard will also likely encourage undesirable and manipulative party behavior during *inter partes* review. This possibility further cautions against imposing that standard on the proceeding.

A. THE FACTS OF THIS CASE ILLUSTRATE NEEDLESS GAMESMANSHIP BEFORE THE COURTS AND PATENT OFFICE

The facts of this case exemplify how Petitioner Cuozzo has sought to manipulate the *inter partes* review proceeding to serve ends unrelated to the adjudication itself, and has sought to use the choice of claim construction standard to further that manipulation. Neither party to this case reviews these facts, so they are presented below.

Briefly, the facts reveal a strange discrepancy: the claim construction standard that Cuozzo seeks would construe claims more narrowly than the Board's current standard, and yet Cuozzo actually asks for a broader construction of its claims. That discrepancy shows that Cuozzo's reason for pursuing the change in claim construction standard cannot be to change the outcome before the Board, as the Board's invalidity decision would remain unchanged under Cuozzo's preferred standard.

Instead, Cuozzo's actual interest is in leveraging the Board to obtain a favorable construction so that Cuozzo can more easily succeed in later infringement litigation (presumably based on patent claims not invalidated by the Board).[8] Cuozzo's pursuit of this extraneous interest, going far beyond the intended purpose of *inter partes* review, is a wasteful and unnecessary use of adjudicatory resources that should not be encouraged.

1. Curiously, Cuozzo Asks for a Narrower Claim Construction Standard in Order to Obtain a Broader Construction

Although the precise contours of the two competing claim construction standards in this case are not made clear on the record of this case, one thing is certain: the district court standard cannot read a claim to be broader than the broadest reasonable interpretation. That is, any claim construed under *Phillips* cannot encompass more

[8]The Board invalidated claims 10, 14, and 17 of Cuozzo's patent. *Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, No. IPR2012-1, slip op. at 2 (P.T.A.B. Nov. 13, 2013) (Pet. Cert. 110a). The patent has 20 claims total, so 17 claims remain valid, including seven claims having the language being disputed in this case. U.S. Patent No. 6,778,074 col. 6, l. 23 to col. 8, l. 31 (filed Mar. 18, 2002).

products or articles than the same claim construed under the broadest reasonable interpretation. This is the plain import of the words "broadest reasonable." And Cuozzo and several *amici* rely on the broadest reasonable interpretation standard's tendency toward breadth.[9]

But that makes Cuozzo's desired outcome "puzzling," as the government put it previously,[10] because Cuozzo asks for a claim construction standard that is narrower in order to achieve a claim construction that is *broader*. That desire for breadth is made apparent in at least three places: Cuozzo's oral argument before the Board, its brief in the Court of Appeals, and its attempted claim amendment before the Board.

The patent at issue relates to a speedometer and a colored display that shows the current speed limit; the claims describe the speedometer and the colored display as "integrally attached." Br. Pet'r 6–7. Two interpretations were contemplated for the term "integrally attached": first, that the speedometer and the colored display are "discrete parts physically joined together" (a two-piece system); and second, that the speedometer and the colored display are a single component (a one-piece system). *Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, No. IPR2012-1, slip op. at 9–10 (P.T.A.B. Nov. 13, 2013) (Pet. Cert. 118a–20a).

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[9]*See, e.g.*, Br. Pet'r i ("Board's broad interpretation allows for differing determinations of validity"); Br. Gregory Dolin et al. 23 (Board's interpretation "artificially broadens the scope of a claim"). Although for simplicity this brief describes *Phillips* as the "narrower" standard, there is no reason that it must always be narrower. The two standards may in some—perhaps most—cases be coextensive. *See* Br. Paul R. Michel 8.

[10]Brief for Intervenor USPTO at 26, *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. June 5, 2014) (No. 14-1301).

While the Board ultimately construed "integrally attached" to encompass only the two-piece system, Cuozzo repeatedly argued that the claim term should encompass *both* the one-piece system and the two-piece system.[11] At oral argument before the Board, Cuozzo was asked whether its proposed construction fully encompassed the Board's two-piece construction, and Cuozzo agreed, saying that its desired construction "encompasses and is broader." Appendix B *infra* p. 3a. Even when pressed by the Board, Cuozzo steadfastly refused to admit that there was anything covered by the Board's construction but not by Cuozzo's.[12]

Cuozzo's sustained its desire for a broader claim construction through its appeal to the Federal Circuit. Cuozzo's opening brief described the Board's construction as "overly narrow," noting that the "fundamental dispute with the PTAB's construction is that it excludes" a product that Cuozzo wanted to have covered. Brief of Appellant at 33, *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. Apr. 22, 2014) (No. 14-1301). This again shows that increased breadth, not narrowness, was the motivation behind Cuozzo's appeal.

Finally, Cuozzo's attempted amendment confirms this desire to obtain a broader claim construction covering the one-piece system excluded by the Board. During

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[11] Specifically, the Board's construction of "integrally attached" was "discrete parts physically joined together as a unit without each part losing its own separate identity." *Id.* at 9 (Pet. Cert. 118a). Cuozzo's preferred construction was "joined *or* combined to work as a complete unit." *Id.* (emphasis added) (Pet. Cert. 119a).

[12] *See, e.g., infra* p. 6a ("[I]f the two LCDs are joined and they do work together as a complete unit, they would certainly fall under ours."); *infra* p. 8a ("Yes, I think our construction is broader than the Board's.").

the Board proceeding, Cuozzo sought to amend its patent claims to add a gloss on the claim term "a speedometer integrally attached to said colored display," such that "the speedometer comprises a liquid crystal display" and "the colored display is the liquid crystal display." *Garmin Int'l*, No. IPR2012-1, slip op. at 47 (Pet. Cert. 163a).

Such an amendment would have forced an interpretation that the speedometer and the colored display were one and the same. The antecedent basis for the phrase "the colored display is *the* liquid crystal display" is the liquid crystal display of the speedometer.[13] Thus, Cuozzo's proposed amendment would have required a construction that the colored display was part of the speedometer—the one-piece construction described above.

Accordingly, the *inter partes* review record and the Federal Circuit record both confirm that Cuozzo sought and continues to seek a broader construction of its claims. In light of this, it is indeed puzzling that Cuozzo asks for a claim construction standard that by definition cannot be broader than the prevailing standard.

2. A Broader Claim Construction Will Not Change the Validity Determination

Cuozzo cannot be seeking a broader claim construction in order to sustain the validity of its patent. Since the Board already invalidated claims under the narrower two-piece construction, Cuozzo's claims would be equally invalid under the broader one-or-two-piece construction. *See, e.g., Callaway Golf Co. v. Acushnet Co.*, 576 F.3d

[13] Antecedent basis in patent claim interpretation means that an item preceded by the word "the" must refer back and be identical to the last reference to that item. *See Pacing Techs., LLC v. Garmin Int'l, Inc.*, 778 F.3d 1021, 1023–24 (Fed. Cir. 2015).

1331, 1344 (Fed. Cir. 2009) (citing *Ormco Corp. v. Align Tech., Inc.*, 498 F.3d 1307, 1319 (Fed. Cir. 2007)). As the government noted before the Federal Circuit, "at the end of the day, Cuozzo wants a claim construction that would make its argument that the claims are patentable *harder*." Brief for Intervenor USPTO at 26, *Cuozzo Speed Techs.*, 793 F.3d 1268 (June 5, 2014) (No. 14-1301).

Indeed, at oral argument before the Federal Circuit, Cuozzo's counsel was specifically asked how the requested broader construction would change the invalidity determination, and counsel offered no response. *See* Appendix A *infra* p. 1a. In an extended colloquy, Judge Dyk repeatedly remarked to counsel that "broadening the scope of the claims doesn't solve your obviousness problem." *Infra* p. 2a. Cuozzo's attorney responded that the prior art relied upon for the obviousness finding was "distinguishable on other grounds not related to the claim term 'integrally attached' "—effectively an admission that Cuozzo's nonobviousness arguments did not turn on the construction of that term. *Infra* p. 2a. Thus, Cuozzo recognized that the obviousness determination would be unaffected by the choice of claim construction standard.

3. Cuozzo's Real Motivation Is to Obtain a Favorable Claim Construction to Facilitate Infringement Litigation

Instead, Cuozzo appears to seek a broader interpretation of its claims for a reason unrelated to this case: to establish a desirable precedent for external litigation.[14]

[14] As explained above, Cuozzo still has patent claims not invalidated and thus eligible for further litigation. *See* note 8 *supra* p. 17.

Concurrent with the *inter partes* review, Cuozzo was prosecuting four infringement cases in district court, asserting its patent against devices that used the one-piece system rather than the two-piece system.[15] The Board instituted *inter partes* review on January 9, 2013, at which time the Board construed Cuozzo's claims to be limited to the two-piece system. Decision to Initiate Trial at 8, *Garmin Int'l*, No. IPR2012-1 (Jan. 9, 2013) (Pet. Cert. 176a). Three months later, the parties in litigation moved for claim construction in the district court, with the defendants seeking a construction consistent with the Board's, and Cuozzo seeking an alternate one-or-two-piece construction. *See* Opening Claim Construction Brief of Defendants at 19, *Cuozzo Speed Techs. LLC v. Gen. Motors LLC*, No. 2:12-cv-3624 (D.N.J. Apr. 18, 2013).

As a result, Cuozzo desperately sought to have the Board change its claim construction determination. Revealingly, in its Patent Owner's Response filed with the Board after the institution decision, Cuozzo included the following footnote:

> To the extent the Board's decision on the patentability of claim 10 is not based upon the meaning of "integrally attached," Patent Owner respectfully requests that the Board either (1) find Patent Owner's proposed construction is correct and enter its finding in its Order, or (2) withdraw its preliminary construction provided in the Order.

Patent Owner's Response at 4 n.1, *Garmin Int'l*, No. IPR2012-1 (Mar. 11, 2013).

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[15]These cases were filed in the U.S. District Court for the District of New Jersey, and bear docket numbers 2:12-cv-3623 to -3626.

In other words, Cuozzo was so concerned about the implications of the Board's construction that Cuozzo asked the Board to change the construction *even if it made no difference to the Board's determination.*

Cuozzo now asks this Court to change the claim construction standard in a last-ditch effort to have the Board reconstrue the claims in a manner beneficial to Cuozzo's separate litigation—even though it will make no difference to the Board's determination. Indeed, the uncertainty of the *Phillips* standard will likely make it easier for Cuozzo to succeed in this strategic maneuver. But such a maneuver, totally divergent from the purposes of the *inter partes* review, is an abuse of the resources of both the Board and the judiciary. This Court should not countenance such manipulative tactics.

B. Petitioner's Desired Standard Would Increase Costs and Facilitate Undue Manipulation of *Inter Partes* Review

This attempt to exploit *inter partes* review to serve unrelated ends exemplifies how the district court claim construction standard will lead to greater gamesmanship and manipulation. This is due to the fact that claim construction under the district court standard is complex and unpredictable, requiring adjudicators to select among competing reasonable interpretations. *See* Section I.B *supra* p. 10.

Should this Court apply the *Phillips* standard to *inter partes* review, abusive parties could take advantage of the complexity and uncertainty of that standard in many ways. Some, like Cuozzo, might try to commandeer a proceeding to serve the interests of another one. Others might try to drag out the process, increasing costs—a

likely possibility given that claim construction is an expensive determination, with one study suggesting that it might average over $1 million in attorney fees in certain cases.[16] Still others might seek to introduce ambiguity into their claims during patent prosecution, in hopes of exploiting that ambiguity down the road should the patent be challenged in *inter partes* review. *Cf. Nautilus*, 134 S. Ct. at 2129.

These manipulative maneuvers have costs. Obviously they cost money to the parties. It would be a disappointing reversal of course to impose a million-dollar component of patent litigation on *inter partes* review, a proceeding that Congress intended to be a "quick and cost effective alternative[] to litigation." H.R. Rep. No. 112-98, at 48 (2011). And manipulative tactics like Cuozzo's tarnish the dignity of the *inter partes* review process itself. That proceeding, intended to protect industry and the public from the cloud of questionable patents, ought not become a forum for petty disputes and game-playing unrelated to the mission of the adjudicatory body.

It is the uncertainty of the district court claim construction standard that opens the door to many of these undesirable behaviors. This Court should not encourage them.

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[16] *See* RPX Corp., *NPE Litigation: Costs by Key Events* 4 (2015), URL *supra* p. ix (finding that cases involving Non-Practicing Entities terminating at a stage immediately before claim construction incurred $1.6 million in legal fees on average, while those terminating immediately after claim construction cost $2.7 million). Furthermore, the Federal Circuit reverses 30–40% of claim constructions. *See* J. Jonas Anderson & Peter S. Menell, *Informal Deference: A Historical, Empirical, and Normative Analysis of Patent Claim Construction*, 108 Nw. U. L. Rev. 1, 40 (2014). In those cases, claim construction must be repeated, multiplying the costs.

By contrast, a main virtue of the broadest reasonable interpretation standard is that it is eminently simple to apply. The adjudicator simply needs to read the patent specification and claims, consider the universe of possible interpretations, weed out those that are unreasonable, and construe the claims in a manner that encompasses the range of reasonableness. There is no need to select among multiple competing but reasonable interpretations, as courts must do under *Phillips*.

Simplicity resists manipulability. Because the broadest reasonable interpretation is more straightforward to apply, parties will find it harder to exploit ambiguity and uncertainty to serve undue ends. This allows the Board to adjudicate efficiently, free of the side battles of the parties that would otherwise drag the proceeding along.

Continuing to apply the broadest reasonable interpretation standard during *inter partes* review would not only be correct on the merits, then: it would help to ensure that this new proceeding does not become a playground for lawyers at the expense of the public and the dignity of the legal system. This provides additional reason for this Court to affirm the Court of Appeals.

III. Petitioner Likely Has No Standing to Raise the Claim Construction Question

As discussed above, Cuozzo asks this Court to apply a narrower claim construction standard to *inter partes* review, but for the purpose of obtaining a broader claim construction, one that would have no effect on the ultimate disposition of the review proceeding. This backwards fact pattern is not just puzzling; it potentially means that Cuozzo has no standing to raise the question, such that this Court lacks jurisdiction over the case.

Cuozzo obviously has standing to appeal the Board's decision; the invalidation of its patent is a redressable injury. But standing overall does not necessarily imply standing for particular questions presented; "the question of standing is whether the litigant is entitled to have the court decide the merits of the dispute *or of particular issues*." *Warth v. Seldin*, 422 U.S. 490, 498 (1975) (emphasis added). And in this case, Cuozzo has no standing over the particular issue of whether the Board applied the wrong claim construction standard.

A. Cuozzo's Injury Is Not Redressable

1. Article III limits the judicial power to "cases" and "controversies," and this Court has repeatedly interpreted that constitutional provision under the doctrine of standing. Specifically, a court may adjudicate a case only if the complaining party has established "the irreducible constitutional minimum" of three elements: injury in fact, a causal connection between the injury and the conduct complained of, and likelihood that the injury will be redressed by a favorable decision. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 561 (1992).

The element of redressability demands that the complaining party be able to show that it "personally would benefit in a tangible way from the court's intervention." *Warth*, 422 U.S. at 508. "Relief that does not remedy the injury suffered cannot bootstrap a plaintiff into federal court; that is the very essence of the redressability requirement." *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 107 (1998).

2. Here, the change to the patent claim construction standard that Cuozzo seeks would not change the outcome of the *inter partes* review proceeding from which

Cuozzo appealed, and so Cuozzo lacks standing for want of redressability. Before this Court, Cuozzo has argued only—and only obliquely—that a change to the claim construction would change the Board's validity determination.[17] Yet, as explained above, Cuozzo actually seeks a broader claim construction that would be equally invalid before the Board. *See* Section II.A.1 *supra* p. 17.

The claim construction question leads to no redressability for Cuozzo for at least two reasons. First, insofar as the Board applied the *broadest reasonable* interpretation and rejected Cuozzo's *broader* proposed construction, the Board presumably found Cuozzo's construction unreasonable, meaning that it would not be applied under any standard, even Cuozzo's preferred one. *Cf. Garmin Int'l*, No. IPR2012-1, slip op. at 9 (Pet. Cert. 118a) (describing Cuozzo's construction as "illogical"). Second, because the patent claims were obvious under a narrower construction, they would also be obvious under a broader construction. *See* Section II.A.2 *supra* p. 20. Either way, the claim construction standard would have no effect on the ultimate disposition of the *inter partes* review, resolution of the issue would redress no injury to Cuozzo, and so Cuozzo lacks standing.[18]

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[17] *See* Pet. Cert. 7 ("Using [the broadest reasonable] construction, the Board found that claims 10, 14, and 17 were obvious based on the same combinations of prior art on which it had relied in instituting review. Cuozzo appealed . . " (citation omitted)); Br. Pet'r 7 (identical). Neither brief devotes more than a page and a half to discussing proceedings before the Board.

[18] Before the Federal Circuit (but not this Court), Cuozzo argued that the claim construction standard was relevant to the Board's denial of Cuozzo's motion to amend the patent claims. *See, e.g.*, Reply Brief of Appellant at 21 n.1, *Cuozzo Speed Techs.*, 793 F.3d 1268 (June 23, 2014) (No. 14-1301); oral argument transcript *infra* p. 2a. But the Board denied the motion to amend based on a written description

Standing might be salvageable were Cuozzo to propose a claim construction that would actually make a difference to the validity of its patent. Cuozzo alluded to this possibility briefly in oral argument before the Board (though only after seven transcript pages of leading questions from the judges). *See infra* p. 13a. But Cuozzo offered no elucidation on how exactly the proposed construction might be narrower, and in any event made no effort to argue the point before the Federal Circuit or this Court. To the extent that this possibility can confer standing,[19] additional briefing would be required to explain what claim construction Cuozzo seeks exactly, how this construction would change the outcome, and how the *Phillips* standard would arrive at that construction rather than the uniformly broader one that Cuozzo has relied upon thus far.

B. Dismissal Would Comport with the Rationale for the Standing Doctrine

A dismissal for lack of standing would not be a mere technicality in this case, but rather would advance the fundamental values behind the standing requirement it-

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defect under 35 U.S.C. § 112(a). *See Garmin Int'l*, No. IPR2012-1, slip op. at 48 (Pet. Cert. 165a). This defect would still be fatal to the motion to amend even under Cuozzo's preferred claim construction standard, so again there would be no change in result.

[19] And it is likely that this effort will fail to confer standing as well. The narrowing of the claim construction that Cuozzo sought was to overcome a prior art reference known as Awada. *See infra* p. 13a. But Cuozzo's patent was invalidated over three different prior art references, known as Aumayer, Evans, and Wendt. *See Cuozzo Speed Techs.*, 793 F.3d at 1282 (Pet. Cert. 27a). The record reveals no reason why an alternate claim construction would overcome this obviousness determination.

self. Courts require standing for suit to ensure that their opinions are not advisory and, more importantly, unadvised. Standing "tends to assure that the legal questions presented to the court will be resolved, not in the rarified atmosphere of a debating society, but in a concrete factual context conducive to a realistic application of the consequences of judicial action." *Valley Forge Christian Coll. v. Americans United for Separation of Church & State, Inc.*, 454 U.S. 464, 472 (1982); *see also United States v. Students Challenging Regulatory Agency Procedures (SCRAP)*, 412 U.S. 669, 687 (1973); *Warth*, 422 U.S. at 499; *Schlesinger v. Reservists Comm. to Stop the War*, 418 U.S. 208, 222 (1974).

Here, the *inter partes* review fails to provide that "concrete factual context" necessary for this Court, or any court, to decide the proper standard of claim construction. As explained above, Cuozzo seeks a claim construction standard that is narrower than the one that the Board applied, and yet hopes to use that narrower standard to obtain a broader claim construction. *See* Section II.A.1 *supra* p. 17. That reversal of the ordinary facts fails to illustrate any concrete difference between the two claim construction standards, forcing the courts' analysis to revert to abstract theories of patent law.[20] Petitioner Cuozzo thus asks this Court precisely "to decide abstract questions of wide public significance" even though they are "unnecessary to protect individual rights." *Warth*, 422 U.S. at 500.

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[20]Thus, even if Cuozzo does have standing, this Court should dismiss the writ of certiorari as improvidently granted, to "await a day when the issue is posed less abstractly." *The Monrosa v. Carbon Black Exp., Inc.*, 359 U.S. 180, 184 (1959).

Highlighting the extent to which the record is devoid of concrete facts is the reliance of numerous *amici* on advisory dicta in *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, No. 15-1361 et al., 2016 WL 692368 (Feb. 22, 2016). In that case, the Federal Circuit heard an appeal of an *inter partes* review and construed the patent at issue under both *Phillips* and the broadest reasonable interpretation, reaching a different interpretation for each standard. *See id.* at *5. The decision has been held up as the "poster child" for how the two standards differ. *E.g.*, Br. Licensing Executives Society 15.

But *PPC*'s application of *Phillips* was wholly advisory. Being an appeal from an *inter partes* review, the outcome turned only on the broadest reasonable interpretation result; the *Phillips* construction was immaterial. *See PPC*, 2016 WL 692368, at *2–3. And that latter construction was not based on a prior adversary-argued decision; instead, the court engaged in its own *sua sponte* analysis. *See id.* at *4. The decision will bind no future courts, who are free to construe the claims differently under *Phillips*. *Cf. CVI/Beta Ventures*, 112 F.3d at 1160 n.7 (discussed *supra* p. 10). Indeed, it is hard to discern any reason why the court spent 1,215 words of its opinion explicating the difference between the standards and construing the claims in detail, when the result of that lengthy analysis had no effect.

PPC's conclusions about the differences between the two standards are thus advisory opinions, observations "unnecessary to the decision, and in that sense *extra judicial*." *Hans v. Louisiana*, 134 U.S. 1, 20 (1890); *see also* Pierre N. Leval, *Judging Under the Constitution: Dicta About Dicta*, 81 N.Y.U. L. Rev. 1249, 1267–68 (2006) ("Particularly to be feared is the scholarly, treatise-type

opinion, which for no good reason lectures on the nature and origins of the doctrine, making pronouncements that have no consequence for the dispute."). That *amici* citing it rely not on the facts of the present case, not on the concrete facts of another case, but rather on advisory dicta of the Federal Circuit demonstrates how lacking and abstract the record before this Court actually is.

No doubt there is great interest in resolution of the question, as demonstrated by the numerous *amicus* briefs filed in this case and with the Federal Circuit previously. But Article III "is not merely a troublesome hurdle to be overcome if possible so as to reach the 'merits' of a lawsuit which a party has to have adjudicated; it is a part of the basic charter promulgated by the Framers of the Constitution at Philadelphia in 1787." *Valley Forge*, 454 U.S. at 476. Before it decides the right standard for claim construction during *inter partes* review, this Court must have before it a case that presents the actual difference between the competing standards. This is not that case.

CONCLUSION

For the foregoing reasons, this Court should dismiss the case for lack of jurisdiction, dismiss the writ of certiorari as improvidently granted, or affirm the Court of Appeals.

Respectfully submitted,

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March 2016

APPENDIX A
EXCERPT OF ORAL ARGUMENT BEFORE THE FEDERAL CIRCUIT

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

IN RE: CUOZZO SPEED TECHNOLOGIES, LLC,
Appellant.

No. 2014-1301

Oral Argument Held: November 3, 2011

* * *

MR. SALMON, *for the appellant Cuozzo Speed Technologies, LLC*: The second error the Board made in its final written decision was with regard to the construction of the claim term integrally attached. The Board made – The Board's interpretation was based on the examining –

JUDGE DYK: The preferred embodiment described in the specification is within the scope of the claims?

MR. SALMON: The preferred embodiment, yes, is within the scope of the claims.

JUDGE DYK: Well, your argument is that the LCD embodiment described is also within the scope of the claims.

MR. SALMON: Correct, your Honor.

JUDGE DYK: Well, how does that help you on the obviousness question? If the claims are broad enough to cover the preferred embodiment, and if the preferred embodiment is obvious, then don't you lose?

MR. SALMON: Well we think that the references cited in the institution decision are distinguishable on other grounds. We're not–

JUDGE DYK: But how does it help you to include something else within the scope of the claims, if what every-

body agrees is within the scope of the claims is obvious? It doesn't have to – the claims – to lose on obviousness, doesn't have to be that every embodiment is obvious, it just has to be that some embodiments are obvious and included within the scope of the claims. No?

MR. SALMON: That's right, but we don't agree. We think that the references cited by Garmin in the petition were distinguishable on other grounds not related to the claim term "integrally attached."

JUDGE DYK: But – but that's fair enough. You have that argument. But I just don't understand how the claim construction helps you in your argument against obviousness, because all the claim construction does here is broaden the scope of the claims. And broadening the scope of the claims doesn't solve your obviousness problem.

MR. SALMON: But the Board – the court has to come to the correct claim construction for the motion to amend practice. The motion to amend is something separate where the patent owner had the opportunity to make a motion to file substitute claims, and at that –

JUDGE DYK: So this claim construction issue is really relevant to the motion for leave to amend, because your theory is if the original claim scope under the specification includes the LCD embodiment, it's permissible for you to carve that out and submit that as a new claim in the course of the proceeding, right? Because it's not a broadening claim.

MR. SALMON: Correct, it's not a broadening claim, and yes, it's relevant to the motion to amend issue. But we think that the references are distinguishable from the claim – the original claims, under the references cited by the Board.

APPENDIX B
EXCERPT OF ORAL ARGUMENT BEFORE THE PATENT TRIAL AND APPEAL BOARD

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GARMIN INTERNATIONAL, INC. et al.,
Petitioner,

v.

PATENT OF CUOZZO SPEED TECHNOLOGIES, LLC,
Patent Owner

Case IPR2012-00001
Patent 6,778,074

Final Hearing Held: August 16, 2013

* * *

JUDGE LEE: Does your – looking at your slide 3, does your construction exclude the Board's or is it broader and different and encompasses the Board's interpretation?

MR. CONNOR, *for the patent owner*: It encompasses and is broader because the last portion of the preliminary construction here without each part losing its own separate identity is really – that is definitely not in ours. That is a limiting language that is not in what we think is seen as the broadest reasonable construction.

JUDGE LEE: So according to your interpretation, there may be an integral display or they may be two separate displays but in the same frame, therefore attached as one unit. It would cover both.

MR. CONNOR: They have to be integrally attached to works as a complete unit. And to work as a complete unit in the context of claim 10 means that it has to be able to

convey the information that is recited in the claim to the driver.

JUDGE LEE: Well, that sounds like you would exclude the Board's interpretation. Because we just require integral, meaning they are both within the same frame, immovable, relative to each other, in close proximity. That would be integrally attached. But it would not be under yours.

MR. CONNOR: Well I think the difference is whether that is referring only to the structural aspect of the combination of elements or the functional. And that is why I mentioned earlier that it is important that both the functional and structural aspects of the claim are reflected in the construction.

JUDGE LEE: So it sounds like you would exclude the Board's. It is not encompassing. It is mutually exclusive.

MR. CONNOR: No, I think our construction could certainly encompass something that doesn't lose its separate identity, whatever that may be. But the way we view the distinction between these two, the relationship between these two constructions is that the Board's is much narrower. The Board's is much narrower because it requires this maintenance of some identity, which could be characterized and it is in a lot of the briefing as the ability to take these things apart and still have –

JUDGE LEE: Yes, I understand. But our interpretation would cover something that yours do not.

MR. CONNOR: I don't think that is right. I think that ours would cover, but is not limited to, discrete parts physically joined together.

JUDGE LEE: Well just take that example, two LEDs under a single frame. That would be integrally attached under our construction but it would not be under yours.

MR. CONNOR: Two LCDs?

JUDGE LEE: Right.

MR. CONNOR: It depends on the relationship between those LCDs. I can see – I can imagine LCDs that have, now they have transparent LCDs so that you can overlay them on top of each other.

JUDGE LEE: No, like two separate. Two images side by side, one showing the speed, one showing lights up whenever you are over your speed limit. But they are attached to each other because they are in the same frame. So that would meet our test but it would not meet yours.

MR. CONNOR: If they are in the same frame, then–

JUDGE LEE: And contiguous with no other parts in-between. It is a direct connection that could even be melded together but two separate displays; one showing one thing, the other showing the other. It definitely meets ours but it doesn't appear to meet yours.

MR. CONNOR: I don't think it would meet yours because those things, without knowing whether they are maintaining their own separate identity.

JUDGE LEE: What do you mean? We could look at it. We can see two LCDS. One is one, the other is the other.

MR. CONNOR: So two separate screens sort of glued together.

JUDGE LEE: Exactly.

MR. CONNOR: Well then we have to decide in the rest of the context of the claim whether that, to know whether that is within the scope of that claim, we have to perform the infringement analysis.

JUDGE LEE: No, no, no. Just looking at these two sets of claim interpretation, we don't need to look at anything else. I just gave you an example of where it meets our definition but it does not meet yours.

MR. CONNOR: I don't think that that is a fair conclusion because if the two LCDs are joined and they do work together as a complete unit, they would certainly fall under ours. So if you have two together, let's say for example the image of a speedometer is spread across both of the LCDs. So like you have two –

JUDGE LEE: Well let's keep the pathological case. Minimal relationship. One is just showing the regular speedometer. The other one just lights up with nothing on it. It just turns red when you are over the speed limit.

MR. CONNOR: That is similar to what Nagoshi discloses. Nagoshi discloses –

JUDGE LEE: Does it meet your definition?

MR. CONNOR: Not if integrally attached.

JUDGE LEE: So that is what I am saying. It meets ours but it does not meet yours. So yours and ours are mutually exclusive. Yours is not just broader. In other words, it is just different.

MR. CONNOR: Well I don't think that it comes down to – I don't think you can distinguish between those things based only on this particular language because with Nagoshi, you have got – they are meaningless apart.

And so taking your example, where you have a light that lights up in one LCD and you have the speed displayed on the other, using their own separate identity requires that they have got to – apart they have to be able to do what they are intended to do. They have got to have their identity.

The colored display that is just flashing red without the speedometer readout, it doesn't tell you anything about the speed limit. It needs the display of the speedometer in order to have its identity because the identity of the colored display is displaying the speed

limit. And a blinking red screen with nothing else, just like a rotating filter in space, can't have its identity.

JUDGE TIERNEY: So let me back up for a moment. Under your definition, you can lose your separate identity.

MR. CONNOR: We don't even think that is a requirement of ours. It could happen. We don't see any support for that limitation.

JUDGE TIERNEY: I am looking at your arguments on page six of your brief and the response. And your definition of the word attached was: connected or joined to connect as an adjunct or associated part. On your definition, if they lose their identity, how are they still an adjunct or associated part? They are no longer associated or adjunct, I would presume.

MR. CONNOR: Well I think that they would be because if you have one part that is a component of another, which is the way the speedometer is described in the specification. The speedometer is described as having the colored display as a component of it. So you can have those two components be attached. Attached is just another way of saying – is a narrower way of saying it is including. So we have including, attached, integrally attached.

JUDGE TIERNEY: But according to your – under your definition, they have lost their identity. So how is there still an attachment under your definition? There is no beginning and end. It is just continuous one part.

MR. CONNOR: No, they would still maintain their identity. If that were the touchstone, you would still have, for example, the speedometer having an axle or having a cable in the housing.

JUDGE TIERNEY: Then how is that different than the definition we propose, where you have a distinct identity still? You retain an identity and you have attached it to.

MR. CONNOR: Because in the example we were just talking about with the lights next to the speedometer, those things lose their identity – well the colored display loses its identity without the speedometer display. So if you don't have lights that light up at a certain time, and without any other information conveyed to the driver, don't tell the driver what the speed limit is, it merely gives the warning.

On the contrary, the way that Cuozzo describes and claims his invention, he has got both of those things integrally attached in order to continuously update. So in the full context of the claim, you have got these two pieces that have a structural and functional relationship. The structural relationship is that they are joined together and functionally they work as a complete unit. In the example, I think in the question that you are asking, do you have – you don't necessarily have that functional unification if all you have are two pieces that are attached in maintaining their identity. Those pieces don't necessarily have any identity without the other.

JUDGE LEE: Right, so that is why I think your thing is not just broader. Your definition is just different. So if I could just try again. Is your definition met in every instance the Board's definition is met? It should be a simple yes or no answer.

MR. CONNOR: Yes, I think our construction is broader than the Board's.

JUDGE LEE: No. Is your definition met in every instance the Board's definition is met?

MR. CONNOR: In other words, is it completely subsumed in –

JUDGE LEE: No. It is just my question is just phrased that way. It should be a simple answer.

MR. CONNOR: So the answer is yes, –

JUDGE LEE: Alright, thank you.

MR. CONNOR: – because we don't have the extra limitation on there. So we don't require those parts maintaining their separate identity.

JUDGE LEE: Okay.

* * *

On Rebuttal

MR. MUDD, *for the petitioner Garmin International, Inc.*: May it please the Board?

JUDGE LEE: Yes. Before you start, it appears that the patent owner didn't really raise or present their motion to amend. So do you think there is any reason for you to get into that part of it?

MR. MUDD: Well, Your Honor, I was contemplating asking Mr. Connor before I got up to see if he wanted to, at least, use maybe five minutes or so to introduce the amended claims before we address them.

JUDGE LEE: Yes, but the fact is they didn't present it. So unless you have some special reasons, there is no reason for you to get into the motion to amend.

MR. CONNOR: Well, Your Honor, may I speak on that? If the Board wishes for us to go ahead and address that now, I am happy to use some of our rebuttal time to do that.

JUDGE LEE: Is that what you would like to do?

MR. CONNOR: I would prefer to do that, rather than not present anything.

JUDGE TIERNEY: Just to make it quick, the reason we are asking–it says rebuttal, but there is nothing to rebut as it wasn't presented.

MR. CONNOR: Sure.

JUDGE TIERNEY: So we would be happy to have you speak, if you wish, to speak to that in your motion to amend.

MR. CONNOR: I would. There are three points that I want to make on those points.

MR. MUDD: Thank you.

MR. CONNOR: So I'll be brief. And I think of the three things that we bear the burden on, Your Honor, no broadening, that our claims are well supported, and that we overcome the order. I think we have really talked about the broadening quite a bit in the context of claim construction. Those two issues are really flip sides of the coin. I am happy to answer any questions. But otherwise, we just want to point out one issue.

You know taking the argument that Garmin makes on broadening, which is again a lot more of the claim construction argument here, it is inconsistent with their own arguments on the Aumayer, for example, reference, and the infringement or invalidity issue there. Because Aumayer, they are saying, couldn't possibly be shown a single speed reading in red once the speed reading exceeds the speed limit. Now they are saying that is outside the scope of the original claims.

The Aumayer reference, just like Tegethoff and some others, does exactly something similar to that. It shows a tick mark where the speed limit is. It shows a single speed reading and it illuminates it in red. So even by their own logic, there is no broadening here. We have explained that in our briefing and we rely on that for that. With respect to overcoming the art, again on the disclosure, we have laid out –

JUDGE LEE: I'm sorry. The broadening occurs where the original claim did not read on the art but because of

your amendment it now reads on the art. There is a broadening.

MR. CONNOR: Yes.

JUDGE LEE: So I am just responding to your saying that there is no broadening. Would you like to address that? If the original claims, un-amended, did not read on the reference, but because of your amendment, suddenly it now reads on the reference, isn't that by definition a broadening of the claim scope?

MR. CONNOR: That is certainly what that means. But then we get right back to the issue of how to construe integrally attached. Because the conclusion that is reached by the application that Garmin made of the Board's preliminary construction leads to a conclusion that you cannot have one LCD that is showing the speed and the speed and the colored display. And of course our amended claims specifically recite that the colored display of the speedometer, which is described in claim 18 is the LCD of claim 12, which is a colored display. So our amended claim brings those together.

JUDGE LEE: So if we adhere to our original claim interpretation, then the new claims would be broadening.

MR. CONNOR: Not necessarily, and here is why: remember when we talked about what constitutes a speedometer? We said that it is the display but it is also a lot of other components. So you can have the speedometer with an LCD display. Now remember, the LCD is just one part of the speedometer. It has also got a speedometer cable. It may have power supply. It may have other things, but it has an LCD that is part of it. And that LCD is displaying the speed. So those two things can be integrally attached and by the Board's preliminary construction, they would be integrally attached, they would still

have their same identity because the speedometer still has the cable, it still has all of the things that it needs to –

JUDGE LEE: No, but it wouldn't be a speedometer without the LCD because it has no display.

MR. CONNOR: Well, then we are interpreting the preliminary construction. Because if that is what maintain the identity of each of those parts means, then there is no support for that in specification.

JUDGE COCKS: I want to follow up on Judge Lee's question. Can a speedometer be a speedometer without a display?

MR. CONNOR: It can't be a speedometer with just the display. So I would say –

JUDGE COCKS: Well that is not what I asked. Can it be one without a display?

MR. CONNOR: It has to display the speed. I would agree.

JUDGE COCKS: So it has to have a display.

MR. CONNOR: It has to display it somehow, yes. It doesn't necessarily have to have the displays that we have in the embodiments. It can display in some other fashion. But yes, I think that is what the specification teaches. That is what a speedometer is. It is the thing that measures the speed and displays it. What I am suggesting is that there can be a shared component of the speedometer.

JUDGE LEE: But even under our interpretation, we don't exclude sharing. But you can't share the most essential piece, such that you lose your identity. And the two components can share secondary parts without losing their identity. So if you are saying that under our view two parts can't share anything, that is not what our

interpretation is. You can't share so much that everybody loses their identity is what our interpretation is.

MR. CONNOR: Well, I would submit that it is helpful to understand that, but that is not what that says. We don't have any guidance from the specification or the file history as to why these two things were maintaining these separate identities and what that would really mean. What we do know is that they need to work as a complete unit. They need to be unified, which is what integrated means.

And, to that point, earlier when Your Honor asked if there was anything that would be covered by the Board's preliminary construction that would not be covered by our proposed construction, after thinking about it and giving you that answer, I want to clarify I am not sure that my answer is entirely accurate, because, to the extent that the construction that is preliminarily, the Board's preliminary construction would covered Awada, then of course that is not within it. Because that is why Cuozzo added that language.

JUDGE LEE: Can you give us a revised answer? I really would like to know the answer to that. Is it yes or no? Is there any instance where our construction would be satisfied that – I mean, your construction would be satisfied in every instance our construction would be satisfied. Is that a yes or a no?

MR. CONNOR: No, because your construction would include Awada.

JUDGE LEE: Right, so yours is not simply broader than ours.

MR. CONNOR: It has to be because that is what Cuozzo put that language in to do, to teach away from Awada.

JUDGE LEE: Okay, thank you. So it is fair to say yours is not simply broader. It is just different. It might exclude something.

MR. CONNOR: Yes. I mean, understanding more about the Board's preliminary construction, if that encompasses what is shown right here at the bottom left is Awada, then it can't. That would be basically trying to recapture claim scope –

JUDGE LEE: Thank you.

MR. CONNOR: – that Cuozzo amended away.

JUDGE LEE: Thank you.

Supreme Court, U.S.
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No. 15-446

IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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TABLE OF CONTENTS

	Page
TABLE OF CONTENTS.	i
TABLE OF CITED AUTHORITIES	iv
STATEMENT OF INTEREST	.1
INTRODUCTION.	.2
SUMMARY OF THE ARGUMENT. . . .	.7
ARGUMENT	.9
I. *Inter partes* review (IPR) procedures are a refinement of patent examination and reexamination processes all using the BRI standard, which have for more than a century sought to improve patent quality, thus reducing problematic district court patent litigation.	.9
A. IPR is an administrative proceeding not intended to replace litigation in district court	.9
B. IPR is a refinement of an earlier PTO post-grant procedure, *inter partes* reexaminations, which construed claims using the broadest reasonable interpretation (BRI)	.11

Table of Contents

Page

II. Amendment is not more limited in IPRs than in other post-grant procedures, even in other adjudicative proceedings, and post-grant amendment is available by other routes at the U.S. Patent and Trademark Office (PTO) .14

A. Claims may be modified in reexamination proceedings, which, like IPR, are post-grant proceedings at the PTO that allow limited amendment, and use BRI .15

B. Interference proceedings, which are adjudicatory proceedings at the PTO that allow amendment (and on which IPR procedure was based), use BRI .17

C. Patent reissue is a post-grant proceeding that likewise allows patentees to amend claims, and uses BRI .19

D. Many factors have contributed to the limited number of amendments made to date in IPRs .19

III. When properly applied, the standards of construction in the PTO and in the courts are paths to the same result .21

Table of Contents

Page

A. Because the PTAB properly applied the BRI standard, Petitioner received the "plain and ordinary" claim interpretation it seeks .22

B. The PTO recognizes that BRI and "plain and ordinary meaning" are not alternatives. . . .23

C. The U.S. Court of Appeals for the Federal Circuit recognizes that BRI and "plain and ordinary meaning" are not alternatives. .24

D. Factors other than BRI can result in differences in claim construction in the PTO and in the courts .25

E. Claim construction procedures under the PTAB and in the courts differ only inconsequentially .27

IV. Congress assumed BRI would continue to be used by the PTO in post-grant patent proceedings, as shown by the specific statute of the AIA it promulgated, to avoid claim-construction gamesmanship by patentees. .30

CONCLUSION .31

TABLE OF CITED AUTHORITIES

Page

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	Page
Ethicon, Inc. v. Quigg, 849 F.2d 1422 (Fed. Cir. 1988)	.27
In re Cortright, 165 F.3d 1353 (Fed. Cir. 1999)	.28
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Lacavera v. Dudas, 441 F.3d 1380 (Fed. Cir. 2006)	.26
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	Page
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Podlesak v. McInnerney, 1906 Dec. Comm'r Pat. 265.	.4
Trivascular, Inc. v. Samuels, No. 2015-1631 (Fed. Cir. Feb. 5, 2016)	24, 25
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STATUTES	
35 U.S.C. § 2.	.26
35 U.S.C. § 102.	.15, 17
35 U.S.C. § 120.	.29
35 U.S.C. § 282.	.4
35 U.S.C. § 301 .	4, 28, 30

Cited Authorities

	Page
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35 U.S.C. § 305.	.15
35 U.S.C. § 306.	.15
35 U.S.C. § 307	.15
35 U.S.C. § 311	.15
35 U.S.C. §§ 312–16.	.2
35 U.S.C. § 314	.7
35 U.S.C. § 315.	.12
35 U.S.C. § 316	.13, 14, 29
35 U.S.C. § 317	.10
35 U.S.C. § 325.	.2
35 U.S.C. § 326.	.4
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Page

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Brief of Amicus Curiae New York Intellectual Property Law Association, No. 15-446 .17

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	Page
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Page

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37 C.F.R. § 1.75(b) .29

Cited Authorities

	Page
37 C.F.R. § 1.116(b)	.15
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37 C.F.R. § 42.121(a)	.14
37 C.F.R. § 41.121(a)(i).	.18
37 C.F.R. § 42.122	.19
37 C.F.R. § 41.208(a)(2)	.18

STATEMENT OF INTEREST

Unified Patents Inc. is a member organization dedicated to deterring non-practicing entities, or NPEs, from using extortive litigation tactics to extract settlements from operating companies based on patents that are likely invalid before the district courts and unpatentable before the patent office.[1] Unified's more than 110 members are Fortune 500 companies, small technology start-ups, automakers, industry groups, and others dedicated to reducing the unnecessary drain on the US economy of the now-routine baseless litigations asserting infringement of broad patents of dubious validity and patentability. Unified challenges patents, fighting NPEs and helping to reduce the costs companies incur fighting off their many dozens of annual NPE litigations.

Unified seeks to advance public policies that foster competition and innovation by encouraging operating companies to invest in commercializing technology. Unfortunately, many companies are forced to spend many millions of dollars in legal fees fighting off or licensing baseless patent lawsuits brought by NPEs. Those NPEs seek to exploit a severe imbalance in the cost of district court patent litigation, 44% of which was before just one district court, the Eastern District of Texas, in 2015.

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1. This brief is filed with the written consent of all parties through letters of consent on file with the Clerk. No counsel for any party authored this brief in whole or in part, and no person or entity other than *amicus curiae*, its members, or its counsel made a monetary contribution intended to fund its preparation or submission.

To those ends, Unified seeks to remove barriers to cost-effective validity and patentability determinations and to reduce the leverage afforded by the expense of district court patent litigation. To date, *inter partes* reviews (IPRs) have provided operating companies with timely and cost-effective patentability determinations, increasing certainty and dramatically reducing the costs of baseless litigations. Over 4,000 IPR petitions were filed in just under three and a half years, demonstrating that operating companies have whole-heartedly embraced them and use them in challenging the patentability of patents of questionable validity. Many of the members of the other amicus organizations arguing *against* the tribunal's fairness and claim construction standard here have nonetheless themselves taken advantage of the forum and the claim construction standard when appropriate for their individual business interests.

INTRODUCTION

Congress passed the America Invents Act (AIA)[2] primarily to rescue American industry from the well-documented problem of lopsided, costly, often questionable patent lawsuits asserting low-quality patents. To address patent quality, Congress created, among other things, IPRs. IPRs allow interested parties to avail themselves of agency expertise—that of the United States Patent & Trademark Office ("PTO")—to fast-track reconsideration of issued patent claims based on evidence and arguments not previously considered by the PTO.[3]

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2. Pub. L. No. 112-29, 125 Stat. 284 (2011).

3. 35 U.S.C. §§ 312–16; § 325(d).

Prior to the AIA, some patentees were suing many dozens of companies in single lawsuits, asserting that low-quality patent claims, often of amorphous scope, covered some public, critical technology common to an entire industry.[4] Notably, major changes in the law in the 2000s meant many patents had been issued on technologies that "should never be patented."[5] At the time Congress was debating and passing the AIA, the patent bar was hotly debating patent claim construction in other contexts.[6] But Congress actively chose to endorse and leave in place the PTO's "broadest reasonable interpretation" (BRI) claim construction—the logical and just choice continuing 100 years of PTO practice.

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4. *See, e.g.*, Trimble, Marketa, *"The Impact of "Patent Trolls" on Patent Law and the Legal Landscape of the United States"* (2009). Scholarly Works. Paper 561, available at *http://scholars.law.unlv.edu/facpub/561.*

5. Representative Joseph Crowley, in debating the AIA and urging its passage, described a patent claiming a method "soliciting charitable contributions on the Internet" asserted against the Red Cross, concluding that "[t]hese patents, and many others in this space, are not legitimate patents that help advance America. They are nuisance patents used to sue legitimate businesses and nonprofit business organizations like the Red Cross or any other merchants who engage in normal activity that should never be patented." 157 CONG. REC . H4496 (daily ed. June 23, 2011); *see also 157 Cong. Rec. S5326* (daily ed. Sep. 6, 2011) (statement of Sen. Leahy) (noting IPRs were introduced "to weed out recently issued patents that should not have been issued in the first place.") *157 Cong. Rec. S1097* (daily ed. Mar. 2, 2011) (statement of Sen. Hatch) (similar comments).

6. *See, e.g., Determining Patentability of a Claim in a Patent Application*, 2008 ABA SEC. INTELL. PROP. L. REP. 108-3.

The Patent Office has used BRI procedures, under law and regulation, for more than a century, in examination, reexamination, reissue, on appeal, and in every patentability procedure the patent office conducts,[7] based on a lack of a presumption of validity and because the Office reviews patentability, not invalidity.[8] The AIA's Congressional proponents explicitly assumed the PTO would adopt BRI.[9] Aside from different names, the Petitioner has not identified any substantive difference in the claim construction methods—as none exists. Yet Appellant attempts to side-step this century of PTO history, Congressional intent, and Board rulemaking, ignoring the fact that the very starting point for any BRI analysis is, as it is under the district court standard, the "plain meaning." Petitioner seeks instead to silence the

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7. *Podlesak v. McInnerney*, 1906 Dec. Comm'r Pat. 265, 258. ("[n]o better method of construing claims is perceived than to give them in each case the broadest interpretation which they will support without straining the language in which they are couched."); *Miel v. Young*, 29 App. D.C. 481, 484 (D.C. Cir. 1907) ("This claim should be given the broadest interpretation which it will support.").

8. A patent is presumed "valid" unless overcome by clear and convincing evidence before a district court, in deference to the issuing agency's expertise. Meanwhile, a petitioner's burden before the Office is limited to proving "unpatentability" by a preponderance of the evidence, as the patent is not presumed valid before the agency that issued it. *Compare* 35 U.S.C. § 282(a) and § 326(e).

9. For example, Senator Kyl stated that a purpose of the new § 301(a)(2) was to "allow the Office to identify inconsistent statements made about claim scope—for example, cases where a patent owner successfully advocated a claim scope in district court that is broader than the "broadest reasonable construction" that he now urges in an *inter partes* review." 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

expert agency's technically trained assessment of claim meaning in favor of a district court claim construction standard it believes will be more favorable to costly litigation efforts.

These outcome-independent complaints are nothing but a proxy for a deeper dissatisfaction with the new administrative system for being, at core, too competent at cutting short questionable and costly litigation. By finally forcing these parties to spend money to defend their questionable assets rather than proceeding lopsidedly in district court under zero-down contingency counsel agreements, and by providing quicker expert review of patentability of patent claims that might not have been granted were they considered today, IPRs have brought a sorely needed balance back to the uneven settlement math often exploited in patent cases. The complaints aired here by Petitioner stem from a deeper desire to return to the more lucrative system that came before.

The phrase "broadest reasonable interpretation" describes the same procedure applied in both the PTO and by the courts. In both venues, claims must be construed consistent with the specification as understood by a person of ordinary skill in the art, and the starting point for either forum's construction is the plain and ordinary meaning of the claims. *See generally Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005); Manual of Patent Examination Procedure (MPEP) § 2111. While the PTO and courts have occasionally differed in their claim constructions, those few differences are a reflection of, among other factors, the technical insight of the expert agency—and the limited judicial authority with which it has been bestowed. The Article I administrative law judges of the PTO's Patent

Trial & Appeal Board (PTAB) are technically and legally trained scientists and engineers that have practiced patent law, and most importantly, they are chosen to be capable of independently assessing a technical truth.[10]

Unlike the district courts, the PTAB is not picking a winner in a contested proceeding between two parties. It is not a battle of two claim constructions—that is, if an accused infringer argues an overly narrow construction to avoid infringement, the patentee's construction (likely argued to avoid invalidity) does not win by default; instead the technical truth—as determined by the originally issuing agency—rules the day. The PTAB seeks the true construction of the claims, often disagreeing with both parties and issuing what it believes is the true construction.

Thus, while the PTAB and its fast-track IPRs may have been disruptive for litigants relying on the costly vagaries of district court patent litigation as a business model—and those parties may complain when an agency quickly arrives at an answer and puts an end to their legal leverage—Congress sought to legislate an end to that bad business with the AIA.

An unforeseen consequence of changing the PTO's claim interpretation practices would be to allow a patentee in possession of an earlier district court claim construction

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10. The administrative patent judges of the PTAB are generally skilled in a relevant technical art, required to have at least a four-year degree in engineering, chemistry, or biology, or the equivalent. https://www.usajobs.gov/GetJob/PrintPreview/406508200. *See also American Hoist and Derrick Company v. Sowa & Sons Inc.*,725 F.2d 1350, 1359 (Fed. Cir. 1984).

to wall off the expert agency from doing its own thorough technical assessment.[11] Such a result would undermine Congress's goal of culling improvidently granted patents from the litigation landscape.[12] Because claim construction is done using the same procedural guidelines in both the PTO and the courts under these standards, the phrase "broadest reasonable interpretation" is but a sideshow highlighted here, masking its true purpose—as a vehicle for a broader indictment of the new system. This Court should not, as Congress did not, disturb the PTO's longstanding claim interpretation practices.

SUMMARY OF THE ARGUMENT

I. The new IPR challenge proceedings were built on patent examination and reexamination before the PTO, and have used the BRI standard for claim

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11. It is especially critical to the success of the AIA that the expert agency's review of these patents not be hamstrung by previous imprecision (or unnecessary exegesis) in claim construction.

12. Note that, in 2,871 cases studied for the period 2000-2010, it took about twenty-two months to receive a court's construction. Pauline M. Pelletier, *The Impact of Local Patent Rules on Rate and Timing of Case Resolution Relative to Claim Construction: An Empirical Study of the Past Decade*, 8 J. Bus. & Tech. L. 451 (2013), *available at* http://digitalcommons.law.umaryland.edu/jbtl/vol8/iss2/5. As the PTAB panels generally provide a preliminary, nonbinding claim construction within about 6 months of filing of a petition challenging patentability, only those patents litigated prior to passage of the AIA are likely to have a construction that is first in time. 35 U.S.C. § 314(b). Note that, should the standards applied in both the PTAB and district court be the same, the PTAB will quite be forced to issue claim construction positions first, positions that may conflict with later district court rulings.

interpretation for more than a century. Congress sought to raise the level of patent quality by creating an expedited reassessment and amendment procedure for questionable issued patents. In passing the AIA, Congress felt that administrative review of issued patents would result in greater certainty about both the validity and the meaning of a patent's claims, thus rebalancing the lopsided district court litigation then taxing U.S. innovation. Changing the claim interpretation standard, even in name only, is really an attempt to prevent the agency from ruling in those cases (such as this one) where an earlier district court construction resulted in erroneous exegesis.

II. Petitioner greatly exaggerates the practical realities of "defending" patents in IPR. Amendment is no less "free" and no more iterative in IPRs than in patent reexamination, reissue, or interference, which are other post-grant PTO proceedings allowing claim amendment. Patent interference is, like an IPR, an adjudicative PTO proceeding applying BRI, and in which amendment is by motion, nearly identical to IPR. Petitioner cannot dispute that, as in patent interference, amendments are available at the PTAB.

III. When properly applied, the PTAB and district court claim constructions are procedural paths to the same destination. Construction in district court and in the PTAB is doctrinally indistinguishable: both constructions begin with the plain and ordinary meaning of claim terms, and both are performed in the context of the patent specification as understood by a person of ordinary skill in the art. With the same procedures properly applied, any differences

between court and PTAB claim constructions are the result of differences in procedure, evidentiary standards, presumption of validity, or the perspective and authority of the adjudicator in differing venues. To make the standards identical would be to imbue and Article I tribunal with Article III powers.

IV. Congress assumed BRI would be used by the PTO in post-grant patent proceedings, as shown by the text of the AIA statute promulgated to avoid claim-construction gamesmanship by patentees.

ARGUMENT

I. *Inter partes* review (IPR) procedures are a refinement of patent examination and reexamination processes all using the BRI standard, which have for more than a century sought to improve patent quality, thus reducing problematic district court patent litigation.

A. IPR is an administrative proceeding not intended to replace litigation in district court.

IPRs advanced the quest for patent quality by affording an expedited reassessment of issued patents, leading to increased certainty about patentability, thereby reducing problematic district court litigation. IPRs were never intended to substitute for litigation itself. IPRs, like reexamination, are administrative proceedings introduced "to weed out recently issued patents that should not have been issued in the first place." 157 Cong. Rec. S5326 (daily ed. Sep. 6, 2011) (statement of Sen. Leahy); *see also* 157 Cong. Rec. S1097 (daily ed. Mar. 2, 2011) (statement of Sen.

Hatch). IPRs were meant to allow improvidently issued patents to be returned to the agency to give the PTAB another chance to scrutinize patentability. This weeding-out was intended to reduce the threat of litigation by, as noted in this Court, "firms [that] use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees." *eBay Inc. v. MercExchange, L.L.C.*, 126 S.Ct. 1837 (2006) (Kennedy, J., concurring). The AIA was intended to reduce the threat of unjustified litigation, along with the "harmful tax on innovation" that is levied when patents are used "as a sword to go after defendants for money, even when [the NPE plaintiffs'] claims are frivolous." *COMMIL USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920, 1930 (2015).

Further, to protect the public—and as an example of a major difference from what is permitted in a district court—the PTAB can, under its discretion, continue an IPR even where the petitioner settles and withdraws. It may continue the proceeding after settlement at the discretion of the Board according to "the particular facts of each case." 77 Fed. Reg. 48648 (Aug. 14, 2012). Such facts might include clearly unpatentable claims, *id.*, or the stage of the proceedings, but in any case, continuation after settlement is at the discretion of the Board, 35 U.S. C. § 317(a), and the Board has in fact continued proceedings after the parties have settled. *See, e.g., Blackberry Corp. v. Mobilemedia Ideas LLC*, IPR2013-00016, Paper No. 31 (PTAB December 11, 2013); *Blackberry Corp. v. Mobilemedia Ideas LLC*, IPR2013-00036, Paper No. 64 (PTAB Jan. 21, 2014). It must then rule on claim construction. The possibility of continuing the IPR even after the petitioner has settled is additional evidence of the plain intent of Congress to protect the

public from low quality patents with IPRs, rather than to substitute IPRs for litigation.

B. IPR is a refinement of an earlier PTO post-grant procedure, *inter partes* reexaminations, which construed claims using the broadest reasonable interpretation (BRI).

Other Congresses had attempted to improve patent quality prior to the AIA, but none of the earlier actions proved as successful as IPRs. (The number of IPR petitions filed to date, well over 4,000,[13] is a testament to their popularity and success.) In 1980, Congress introduced *ex parte* reexamination to provide a vehicle for a third party or patent owner to obtain reexamination of a patent, in an attempt to increase patent quality.[14] Pub. L. 96-517, 94

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13. As of March 1, parties had filed 4,038 petitions since September 2012. *See* U.S. Patent & Trademark Office, AIA Trial Statistics—February 2016 (last visited March 29, 2016), *available at http://www.uspto.gov/sites/default/files/documents/2016-2-29%20PTAB.pdf.*

14. H.R. REP. NO. 112-98, at 45 (2011); *see also* Patent Reexamination: Hearing on S. 1679 Before the S. Comm. on the Judiciary, 96th Cong. 15–16 (1979) (statement of Comm'r U.S. Patent and Trademark Office Sidney Diamond) (finding "Reexamination would eliminate or simplify a significant amount of patent litigation. In some cases, the PTO would conclude as a result of reexamination that a patent should not have issued. A certain amount of litigation over validity and infringement thus would be completely avoided."). *See generally* Mark Consilivo & Jonathan Stroud, Unraveling the USPTO's Tangled Web: An Empirical Analysis of the Complex World of Post-Issuance Patent Proceedings, 21 J. INTELL. PROP. L. 1 (2013) (providing a history of the legislation and motivations behind earlier post-issuance regimes leading up to and including the AIA).

Stat. 3016, § 1 (1980). However, *ex parte* reexamination proved unpopular because, although it was intended to serve as a fast, low-cost alternative to patent litigation for reviewing the originality aspects of patent validity, the one-sided mechanism proved slow and unpredictable in practice.[15] Amendments were allowed, and the standard for claim construction in *ex parte* reexamination was BRI.

In response to the tepid interest in *ex parte* reexamination by patent challengers, Congress passed the American Inventors Protection Act (AIPA) of 1999, Pub. L. 106-113, 113 Stat. 1501A-571, § 4606 (1999). The AIPA established a new *inter partes* reexamination (IPX) procedure that allowed a reexamination requester more participation than did the existing *ex parte* reexamination procedure. The new IPX permitted third-party requesters to submit a written comment each time the patent owner filed a response to a PTO "office action" on the merits, and to appeal an adverse decision of the patent examiner to the Board of Patent Appeals & Interferences (BPAI).[16] Further, a requester could have full participation rights in a patent owner's appeal to the BPAI. As an additional feature, if the requester were unsuccessful in the IPX, any third-party requester would be estopped from later asserting in any civil action, or in a subsequent IPX, the invalidity of any claim the BPAI finally determined to be valid and patentable on any ground the third-party requester raised or could have raised in the IPX. 35 U.S.C. 315(c) (pre-AIA). The requester was also estopped from

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15. *See PTO Report to Congress On Inter Partes Reexamination (PTO Report)*, http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm (undated).

16. The BPAI was replaced by the PTAB in the AIA.

later challenging in a civil action any "fact" determined in the IPX. Section 4607 of the Optional Inter Partes Reexamination Procedure Act of 1999, uncodified. In 2002, third parties obtained the right to appeal IPX decisions to the U.S. Court of Appeals for the Federal Circuit and to participate in the patent owner's appeal to that Court. But even with these refinements the IPX procedure also proved to be unpopular, because the estoppel provisions were unpopular, it did not allow discovery and cross-examination, and it was slow. *See PTO Report*, 3-4. As of 2005, "a large number of reexamination proceedings ha[d] been pending before the USPTO for more than four years without resolution."[17] Amendments were allowed, and the standard for claim construction in IPX was BRI.

The IPR procedure introduced in the AIA expressly addressed the deficiencies of the earlier reexamination procedures, and importantly added the additional mandate of speed: in an IPR, the PTAB must finish its work within 1 year (extendable to 18 months). 35 U.S. Code § 316(a)(11) (2011). The AIA also incorporated important administrative and time-saving refinements to previous patent reexamination procedures. IPRs replaced the duplicative patent examiner phase of patent reexamination, leaving only a judicial review phase. These measures resulted in a truncated timeline as compared to the previous IPX procedure. *See* H.R. Rep. No. 112-98, at 46 (2011). The success of IPRs is demonstrated by the 4040 IPR petitions that were filed between Sep. 16, 2012

17. Testimony of Mr. Jon Dudas, U.S. Sen. Comm. On the Judiciary (Apr. 25, 2005), http:// www.idiciary.senate.gov/hearings/testimony.cfm?id=e655f9e2809e5476862fr735da104aa60&hit_it=e655f9e2809e5476862f735dal04an60-1-1.

and Jan. 31, 2016. More important, as an example of the effect of IPRs on judicial efficiency, in fiscal year 2015 out of 1737 IPR petitions filed, 464 (27%) were settled within 15 months of filing.[18]

Amendment of claims in an IPR is no less "free" than in the re-examination procedures the IPR supplants. In an IPR, a patentee may propose new claims on a one-for-one basis, but these claims are only added if a corresponding motion to amend claims has been granted by the Board. In such a motion, the burden is on the patent owner to show a patentable distinction of each proposed substitute claim over the prior art. 37 C.F.R. § 42.20(c). The particular standard used in interpreting a substitute claim is irrelevant to the difficulty with which a claim may be amended.

II. Amendment is not more limited in IPRs than in other post-grant procedures, even in other adjudicative proceedings, and post-grant amendment is available by other routes at the U.S. Patent and Trademark Office (PTO).

Congress did not "eliminat[e] .the right to amend claims" in an IPR, as Appellant states. *App. Bf.* 29. In fact, as Appellant admits in the same paragraph, "[i]n IPR, the patentee may file one 'motion to amend' but must first confer with the Board. 35 U.S.C. 316(d); 37 C.F.R. 42.121(a)." *Id.* Amendment is permitted in IPR proceedings, and is no more restricted than in certain

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18. Patent Trial and Appeal Board Statistics, 1/31/2016, *available at* http://www.uspto.gov/sites/default/files/documents/2016-01-31%20PTAB.pdf.

other post grant, even adjudicative proceedings of the PTO, which also use BRI. The lack of a large number of successful amendments in IPRs to date is not rooted in any reluctance of the agency to accept amendments, but instead, to the impossibility of saving low quality patents with amendments that lack technical distinction. In addition, there are alternatives to IPRs available to patentees who wish to modify their claims.

A. Claims may be modified in reexamination proceedings, which, like IPR, are post-grant proceedings at the PTO that allow limited amendment, and use BRI.

Patent reexamination is a post-grant patent review process whereby "[a]ny person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited." 35 U.S.C. § 302; 311 (pre-AIA). Like IPRs, reexamination permits a patentee limited amendment options; usually one. If the patentability of any claim appears questionable, the patentee may propose new claims. 35 U.S.C. §§ 305-307. However, contrary to appellant's mischaracterizations, the amendment, or substitution, process in a reexamination is hardly as easy as in an original examination—while both proceedings have long used BRI. There is simply no "back-and-forth between the Patent Owner and examiner" in reexamination. Instead, after the examiner initially rejects the claims in a non-final office action, a patentee is provided with a single opportunity to amend the claims. MPEP § 2260, 37 C.F.R. 1.116(b).

If this amendment is deemed insufficient to overcome the rejections, a final office action (or Action Closing

Prosecution (ACP) in IPX) will issue from the examiner. Once prosecution is closed, it cannot be reopened absent extraordinary circumstances and the Patent Owner has no further opportunity to substantively amend the claims as the reexamination is forwarded on to the PTAB with special dispatch.

> Consideration of amendments submitted after final rejection and prior to, or with, the appeal will be governed by the **strict standards** of 37 CFR 1.116.... Both the examiner and the patent owner should recognize that substantial patent rights will be at issue with no **opportunity for the patent owner to refile** under 37 CFR 1.53(b), or 1.53(d), and **with no opportunity to file a request for continued examination** under 37 CFR 1.114. Accordingly, both the examiner and the patent owner should identify and develop all issues **prior to the final Office action**, including the presentation of evidence under 37 CFR 1.131(a) and 1.132.

MPEP §§ 2272; 2672 (emphasis added)

Unlike patent application processing, there is no option to "continue prosecution" absent extraordinary circumstances, and there is no "back and forth" or "iterative" amendment process. *See, e.g., App. Bf. 5,13.* Yet, the appropriateness of the BRI standard for use in reexamination, in which these obstacles are put in the way of amendment, is admitted by Appellant. *Id.* at 23 ("Because reexamination is the functional equivalent of an initial examination, it uses the same claim construction standard to advance the same goals. The examiner is required to

give a claim its broadest reasonable interpretation."). Appellant's *amici* agree. *See, e.g., Brief of Amicus Curiae New York Intellectual Property Law Association,* No. 15-446, at 23; *Brief of Amicus Curiae 3M Co. et. al.*, at 12; *Brief of Amicus Curiae of Pharmaceutical Research and Manufacturers of America* at 13.

B. Interference proceedings, which are adjudicatory proceedings at the PTO that allow amendment (and on which IPR procedure was based), use BRI.

Patent interference is a venerable PTO adjudicative proceeding that, like the new IPRs, limits amendment options to a motion process and, like IPRs, applies BRI in proceedings involving granted patents. Interferences ensue when two different parties file a patent application claiming the same invention. Pre-AIA 35 U.S.C. § 102(g).[19] Interferences are, like IPRs, adversarial adjudicatory proceedings that use BRI, and were first codified in 1836. Act of July 4, 1836, ch. 357, § 8, 5 Stat. 120.

Petitioner admits that amendment is possible in an interference, and acknowledges that BRI is used in interferences. *App. Br.* 13. Petitioner recognizes that BRI is acceptable in interferences because "a patentee may 'narrow its claims by filing an application to reissue the patent [and] request that the reissue application be added to the interference'," citing *Bamberger v. Cheruvu*, 55 U.S.P.Q.2d 1523, 1526 (B.P.A.I. 1998) (non-precedential).

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19. Interferences will disappear for patent applications and patents with an effective filing date on or after March 16, 2013, due to the new first-to-file provisions of the AIA, 35 U.S.C. § 102 (a) (2015).

App. Br. 25, FN6. Such a reissue is a form of amendment, with the change in the claim in the form of a substitution, or addition, of claims. 37 C.F.R. § 41.121(a)(i), 37 C.F.R. § 41.208(a)(2), and PTO Standing Order 208.5.2 (March 8, 2011). As in IPRs, motions to amend in interferences are not entered as a matter of right, and are not uniformly granted. *See Bamberg v. Dalvey*, No. 2015-1548, slip op. at 8-9 (Fed. Cir. March 9, 2016) (motion to amend denied because the movant didn't comply with the rules governing such motions). Further, leave to file an application to reissue a patent involved in an interference and to have the reissue application added to the interference—additional requirements for "amendment"—must itself be sought on motion under 37 C.F.R. § 41.121(a)(i), 37 C.F.R. § 41.208(a)(2), and Standing Order 208.5.1, and such motions are also not uniformly granted. In those cases where such a motion is granted, there is no automatic right to present as many new claims as one desires. *Wnek v. Dobbs,* 85 USPQ2d 1159, 1160 (BPAI 2006) (nonprecedential). With adherence to the proper procedure, amendment is no less freely possible in an IPR than it has been in an interference for the last 180 years.

In sum, a patentee in an adjudicated IPR has the right to amend his claims, as applicants in interferences have had with virtually the same claim interpretation standards and administrative provisions, for well over a century. Appellant here has not even attempted to explain why if BRI has been satisfactory in interferences, it is not suitable for IPRs.

C. Patent reissue is a post-grant proceeding that likewise allows patentees to amend claims, and uses BRI.

Appellant recognizes, but does not elaborate for this Court, another alternative to the amendment processes he denigrates: patent reissue. *See App. Br.* 25, FN6. The PTAB itself recognizes that a patentee might avail himself of more expansive amendment options as an alternative to amendment. *ZTE Corp. v. ContentGuard Holdings, Inc.*, IPR 2013-00136, Paper 33 at 3 (PTAB Nov. 7, 2013) ("if a patent owner desires a complete remodeling of its claim structure according to a different strategy, it may do so in another type of proceeding before the Office.") A patentee may also have considerable flexibility in integrating a reissue proceeding with an ongoing IPR, because during an IPR the PTAB has the power to "enter any appropriate order regarding the additional matter including providing for the stay, transfer, consolidation, or termination of any such matter." 37 C.F.R. § 42.122.

D. Many factors have contributed to the limited number of amendments made to date in IPRs.

A patentee in an IPR has the opportunity to seek to amend his claims, but the Board has found few claim amendments allowable in IPRs thus far. Yet the various factors that have contributed to the low number of motions to amend—both sought and granted—do not themselves discount a patentee's ability to amend claims in an IPR. For instance, the newness of the IPR process has limited parties' success, as many patent owners as yet lack the familiarity with new procedures that might assure them a grant of any motions to amend. *See, e.g., ZTE, id.*

("ContentGuard did not appreciate fully its burden of proof."). Patentees involved in active litigation are usually careful not to amend their claims so that their accused infringers no longer infringe, further constraining the types of amendments patent owners are willing to put forth.

On the other side, an absence of precedent may give PTAB panels a reluctance to grant amendment motions, which, upon grant, issue directly. The PTO is well-aware of these issues; an expanded panel of the PTAB has recently found it necessary to clarify the requirements for obtaining amendments. *See MasterImage 3D, Inc. and MasterImage 3D Asia, LLC v. RealD Inc.*, IPR2015-00040 (PTAB July 15, 2015). The amendment procedure has proven cumbersome; in response, the PTO is initiating a series of "quick-fixes" to streamline the amendment process, and continues to issue new rules packages updating their procedures and regulations governing amendment. *Comments of Director of the USPTO Michelle K. Lee*, March 27, 2015 http://www.uspto.gov/blog/director/entry/ptab_s_quick_fixes_for.

Finally, patentees may be constrained by the fear of intervening rights from proposing amendments that are acceptably differentiated from the original claims. A patentee must propose neither an amendment with a change too small to be granted nor one containing a change "substantive" enough to trigger intervening rights. *See Laitram Corp. v. NEC Corp.*, 163 F.3d 1342, 1346 (Fed. Cir. 1998) ("If substantive changes have been made to the original claims, the patentee is entitled to infringement damages only for the period following the issuance of" the modified claims). The fear of intervening rights is

especially prevalent in arts where licensing entities are the most active, such as consumer electronics. In such quickly developing technologies, an amendment may not only give up past damages, but foreclose future damages if the technology has already advanced beyond the patented device or methodology. In sum, IPR amendment is available, robust, and evolving; but the procedure is new, and patentees involved in litigation are generally reluctant to make significant amendments, whereas the PTAB is reluctant to grant amendments for technically trivial changes, where the earlier challenged claims would be held unpatentable.

III. When properly applied, the standards of construction in the PTO and in the courts are paths to the same result.

A major feature of earlier patent reexamination procedures carried over to IPRs is the use of the BRI standard for claim interpretation.[20] Petitioner contests the use of this standard, although it is the standard that the PTO has used in reviewing both patents and patent applications for decades. Petitioner argues that the Board should *instead* construe the claim in a patent being examined by the PTAB according to its plain and ordinary meaning, "as a federal court would be required to do." *App. Bf.* at (I). Phraseology aside, both the PTO and the federal courts are required to construe claims using the same methods.

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20. "A claim in an unexpired patent shall be given its *broadest reasonable construction in light of the specification* of the patent in which it appears." 37 C.F.R. § 42.100(b) (emphasis added).

As explained below, plain and ordinary meaning is used by PTO regulation, and was used in the assessment of Petitioner's claims. As such, what Petitioner really seeks is a decision of this Court to remove the different labels from these frameworks such that the Petitioner can silence the expert agency's technically reasoned construction in favor of its own preferred, and earlier, court construction. Petitioner's patent claims were found to be unpatentable by the PTAB, IPR2012-00001, *aff'd*, *In re: Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015), and Petitioner implies that the result might have been otherwise had the BRI standard for claim construction not been used.

A. Because the PTAB properly applied the BRI standard, Petitioner received the "plain and ordinary" claim interpretation it seeks.

But Petitioner did receive a claim interpretation based on plain and ordinary meaning. The PTAB made clear to Petitioner that "the Board interprets claim terms by applying the broadest reasonable construction in the context of the specification in which the claims reside. *Also*, we give claim terms their *ordinary and accustomed meaning as would be understood by one of ordinary skill in the art.*" *Inst. Dec.* 3–4 (internal citations omitted; emphases added). Thus, "for purposes of this decision we proceed on the basis that the *plain and ordinary meaning of words in their common usage applies*, albeit taken in the context of the disclosure of the '074 Patent." *Id.* at 4. Here, the Board properly applied BRI using the methods of *Phillips*, *i.e.*, the same methods used in the courts.

B. The PTO recognizes that BRI and "plain and ordinary meaning" are not alternatives.

In order to differentiate BRI from the district court procedure, Appellant misrepresents the BRI standard the PTAB is required to use, stating that this standard "directs the Board to give claims their 'broadest reasonable construction *rather than* their plain and ordinary meaning." App. Br. 35 (emphasis added). But both the PTO generally and the PTAB in particular make clear that plain and ordinary meaning is fundamental to any claim interpretation of the PTO. Expanding upon "broadest reasonable interpretation," the PTO explains that

> The broadest reasonable interpretation does not mean the broadest possible interpretation. Rather, the meaning given to a claim term must be consistent with the ordinary and customary meaning of the term (unless the term has been given a special definition in the specification), and must be consistent with the use of the claim term in the specification and drawings. Further, the broadest reasonable interpretation of the claims must be consistent with the interpretation that those skilled in the art would reach.

MPEP § 2111. This explanation of what the PTO means by "broadest reasonable interpretation" contains, identically, the features of a claim interpretation based on *Phillips*: "the words of a claim 'are generally given their ordinary and customary meaning the meaning that the term would have to a person of ordinary skill in the art in

question at the time of the invention,'" *Phillips* at 1312-1313 (internal citations omitted); and, "claims must be construed so as to be consistent with the specification, of which they are a part." *Id.* at 1316 (quoting *Merck & Co. v. Teva Pharms. USA, Inc.*, 347 F.3d 1367, 1371 (Fed.Cir. 2003)). The PTO's Trial Practice Guide for IPRs similarly states that "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. §42.100(b).

The PTAB in this case followed the published PTO procedures regarding claim construction. Thus, the PTAB accorded the patentee the proper, broadest reasonable interpretation—of which he now argues he was deprived.

C. The U.S. Court of Appeals for the Federal Circuit recognizes that BRI and "plain and ordinary meaning" are not alternatives.

The Federal Circuit is consistent in its understanding that the BRI standard comprises a "plain and ordinary" understanding: for example, in *Microsoft Corp. v. Proxyconn, Inc.*, 789 F. 3d 1292, 1298 (Fed. Cir. 2015), the court stated that claim constructions during IPR must not be "*unreasonable* under general claim construction principles" (emphasis in original). In addition, claims should always be read in light of the specification and teachings in the underlying patent, the PTO should consult the patent's prosecution history, and the construction "must be consistent with the one that those skilled in the art would reach." *Id.* In *Trivascular, Inc. v. Samuels*, No. 2015-1631, slip op. at 6–7 (Fed. Cir. Feb. 5, 2016), the court stated—invoking numerous citations from earlier decisions

(omitted here)—that "[u]nder a broadest reasonable interpretation, words of the claim must be given their plain meaning, unless such meaning is inconsistent with the specification and prosecution history." In particular, "[w]hile the broadest reasonable interpretation standard is broad, it does not give the Board an unfettered license to interpret the words in a claim without regard for the full claim language and the written description. *Id.*

D. Factors other than BRI can result in differences in claim construction in the PTO and in the courts.

Differences between the courts and the PTO in claim interpretation may be attributable to factors other than the claim construction standard. One of these factors is the statutory presumption of validity, which is a court's expression of "the deference that is due to a qualified government agency presumed to have properly done its job which includes [personnel] who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of skill in the art and whose duty it is to issue only valid patents." *American Hoist and Derrick* at 1359.[21] In short, a court will defer

21. This deference to technical qualification is distinguishable from the deference to administrative agencies' construction of statutes administered under the authority of that agency as dictated by *Chevron, USA, Inc. v. Natural Resources Defense Council, Inc.* 467 U.S. 837 (1984). *See generally* Laura Whitworth, *What's in a Claim?: The Importance of Uniformity in Patent Claim Construction Standards*, 98 J. PAT. & TRADEMARK OFF. SOC'Y 21 (to be published, 2016). Under the two-prong *Chevron* test, in the AIA (1) Congress was expressly silent regarding the precise issue of claim construction standards in IPRs, even though it was conscious of the

to agency expertise—the technical expertise used by the PTO in review proceedings, initial examination, and claim construction and the nature of PTO examiners, staff, and PTAB judges. District court judges must deal with a broad universe of cases, and are not required to have the engineering or scientific background required of PTO examiners or PTAB judges, whose focus is much narrower. In contrast, the PTAB determines technical truth guided by its own technical and scientific training, with the input of the parties. Absent deference to the expertise of the agency, there is no presumption of validity.[22]

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question; and (2) Congress did not withdraw any of the powers given to the PTO in 35 U.S. Code § 2(b). Therefore the PTO is entitled to *Chevron* deference under this test. *See also Lacavera v. Dudas*, 441 F.3d 1380, 1383 (Fed. Cir. 2006)("Because the PTO is specifically charged with administering [35 U.S.C. § 2(b)(2)], we analyze a challenge to the statutory authority of its regulations under the Chevron framework.")

22. The influence of the presumption of validity and defining patent claims to require un-recited limitations in a court decision is evident in *PPC Broadband Inc., v. Corning Optical Communications RF, L.L.C.* (Fed. Cir. Feb. 22, 2016), which issued after this petition was granted *certiorari*. The PTAB decided that "continuity" in the context of the patent referred only to physical contiguity, and did not require continuity in time. The court agreed with the PTAB's BRI construction, but in *dicta* volunteered that "[u]nder Phillips," which required both physical and temporal continuity." The court's narrower claim construction would have preserved the validity of the claims in question as the prior art did not demonstrate temporal continuity. As can be appreciated in this case, the USPTO stands in the way of those seeking to enforce patent claims with un-recited requirements. Such definitions are often times finessed from forums lacking technical expertise more focused on selecting between competing party-constructions as opposed to technical correctness.

The use of a plain and ordinary meaning standard in the courts is an implicit bow to the work of the expert agency and the resulting presumption of validity, and it affects the evidentiary standard as well. Given the presumption of validity, in district courts invalidity must be shown by clear and convincing evidence, *Microsoft Corp. v. i4i Limited Partnership*, 131 S. Ct. 2242 (2011), while in the PTAB a petitioner must show unpatentability with a lower preponderance of the evidence standard, under no presumption of validity. *See, e.g., Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988). Regardless of the standard used for claim interpretation, it is easier to show a claim unpatentable in the PTAB than invalid in a court because of the differing burdens of persuasion, as the patent is not presumed valid by the agency that issued it. Changing the claim construction standard will not change that reality, regardless of the outcome here.

E. Claim construction procedures under the PTAB and in the courts differ only inconsequentially.

The following chart shows that in terms of evidence available, and how that evidence is treated, there is little difference between BRI and a *Phillips* claim construction; the necessary conclusion is that, if properly applied, these tools should lead to identical constructions, whether they are made in the PTO from the point of view of examination or in district court from the point of view of litigation:

Claim Interpretation	PTO BRI	District Court
Plain & ordinary meaning in light of the specification and consistent with the understanding of a person skilled in the art.	Yes, for undisputed terms.[23]	Yes, for undisputed terms.[24]
Intrinsic evidence.	Yes.[25]	Yes.[26]
Extrinsic evidence.	Yes, if needed.[27]	Yes, if needed.[28]
Claim construction from prior litigation.	Yes if a statements of the patent owner filed in a proceeding before a Federal court or the PTO.[29]	Yes, depending on circumstances.[30]

23. *MPEP* § 2111; 2111.01 (IV) (2015); C.F.R. § 42.100(b); *In re Cortright*, 165 F.3d 1353,1358 (Fed. Cir. 1999). *see* Office Patent Trial Practice Guide, 77 Fed. Reg. 48764 (Aug. 14, 2012).

24. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005).

25. MPEP § 2111.01 (III) (2015).

26. *Phillips* at 1313.

27. MPEP § 2111.01 (III) (2015).

28. *Phillips* at 1317.

29. 35 U.S.C. § 301.

30. *See generally* Peter S. Menell, Matthew D. Powers, and Steven C. Carlson, *Patent Claim Construction: A Modern Synthesis and Structured Framework*, available at http://ssrn.com/abstract=1476395.

Claim construction from patent family members.	Yes.[31]	Yes.[32]
Claim differentiation.	Yes.[33]	Yes.[34]
Ability to amend claims.	Yes.[35]	No.
Claims construed to preserve validity.	No.	Rarely.[36]

Any differences in the practices of the PTO and the courts are not doctrinal, but rather a technical disagreement experience of the competing decision makers, and a recognition that the PTO will not presume patents it issued valid.

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31. 35 U.S.C. § 120.

32. *Omega Eng'g, Inc. v. Raytek Corp.*, 334 F.3d 1314, 1334 (Fed. Cir. 2003).

33. 37 C.F.R. § 1.75(b).

34. *Phillips* at 1314.

35. 35 U.S.C. § 316(d).

36. The Federal Circuit has not "applied this principle broadly" and has "**not endorsed** a regime in which validity analysis is a **regular component** of claim construction." *Phillips* at 1327 (emphasis added, internal citations omitted). Indeed, such a rare construction is in deference to the PTO's initial review, which has no place in a later review proceeding conducted by the PTO itself.

IV. Congress assumed BRI would continue to be used by the PTO in post-grant patent proceedings, as shown by the specific statute of the AIA it promulgated, to avoid claim-construction gamesmanship by patentees.

Anticipating the differing frameworks, Congress introduced a safeguard into the AIA to prevent patentees from arguing a different claim interpretation in front of the PTAB than it argued elsewhere. That safeguard is 35 U.S.C. § 301, "Citation of Prior Art And Written Statements." Section 301(a)(2) solicits, from "any person at any time," written citations to "statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent." Section 301(d) states that such citations may be used by the PTO only "to determine the proper meaning of a patent claim" in an IPR, a re-examination, or a post-grant review. Accordirg to Senator Kyl, the Section's purpose was to "help the Office understand and construe the key claims of a patent," and was meant to "allow the Office to identify inconsistent statements made about claim scope—for example, cases where a patent owner successfully advocated a claim scope in district court that is broader than the '*broadest reasonable construction' that he now urges in an inter partes review.*" 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl, emphasis added). By incorporating § 301 into the AIA, Congress demonstrated that it not only recognized the existence of the differently named frameworks of the court and PTO, but also endorsed them, and acted to ensure that, in post-grant PTO proceedings, the ultimate result would not be influenced by gamesmanship.

CONCLUSION

Patents of high quality—which clearly and appropriately claim an invention—reduce the costs and delays of district court infringement litigation, thus helping achieve Congress's stated goals in passing the AIA. Petitioner attempts to misrepresent the PTO's BRI standard for claim interpretation as somehow eschewing the "plain meaning," and contributing to inconsistency between claim interpretations in an IPR and in court. But, careful and correct assessment of a patent claim by either a court or by the PTO should lead to the same construction, as both forums apply plain and ordinary meaning to disputed terms. That one forum's imperfect application of the "plain and ordinary meaning" sometimes inures to a patentee's benefit, under a framework that differs only in the organization that applies it, is no reason to upend a century of expert agency claim construction practices and jurisprudence.

The rapacious litigants that Congress attempted to restrain with the AIA were not inventors, operating companies, or even licensing companies, but rather, were legally trained profiteers whose business was based on monetizing patents of low quality and then extracting settlements for less than the high cost to defend these suits. These profiteers, referred to as "NPEs" or more pejoratively "patent trolls," wield the high cost of district court litigation (including the asymmetrical discovery obligation that benefits organizations that exist only to sue) as a sword to force otherwise unwarranted financial settlements. Generally investing little, and using contingency counsel, NPEs were taxing America's innovators to the tune of billions of dollars per year prior

to the AIA.[37] James Bessen and Michael J. Meurer, *The Direct Costs from NPE Disputes*, 99 Cornell L. Rev. 387, 408 (2014).38 The AIA's creation of, among other things, IPR has significantly crippled NPEs' ability to hold up American industry through unjustifiable assertions of low-quality patents by presenting a fast, efficient, low-cost alternative to arcane, expensive, and time-consuming patent litigation. The case before this Court seeks to start to roll back that progress.

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37. In aggregate costs, including legal costs, settlement costs, and other costs for resolved lawsuits, unresolved lawsuits, and non-litigated assertions.

38. *Available at* http://scholarship.law.cornell.edu/clr/vol99/iss2/3.